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# **Daily Report—**

## ***Supplement***

# **East Europe**

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# East Europe SUPPLEMENT

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**\* Mutual CR, SR International Trade Discussed**  
*93CH0545A Prague HOSPODARSKE NOVINY in  
Czech 31 Mar 93 p 1*

[Article by (DO): "The End of the Free Fall?"]

[Text] *The Association of Industry for the CR [Czech Republic] and the Association of Industry for the SR [Slovak Republic] will establish a corporation in which they will have equal shares and which will broker mutual trade between enterprises that are members of both associations.*

This was the conclusion reached yesterday at the Prague meeting of the leadership of both associations. They are convinced that the orientation of enterprises toward third markets, as recommended by the Czech Government, is not overly realistic because those markets are inaccessible in practical terms. Moreover, it is not advantageous to producers in either republic to evacuate their positions in the second republic in favor of suppliers from other countries. And, at that, it is evident that mutual trade between the CR and the SR is declining rapidly. This is confirmed by a public opinion poll that was organized by the associations among their members. Even though the poll does not lay claim to being able to tell the full story, it indicates that trade has declined by 30 to 40 percent, particularly in the area of engineering products.

Nevertheless, despite the decline in trade, the status of mutual claims and obligations (whose deadlines have

expired) has remained virtually unchanged between the end of 1992 and the end of February 1993.

With regard to this fact, the president of the Association of Industry for the CR, Stepan Popovic, admitted that the decline in trade could thus be caused also by the incapability of enterprises to "engage in" foreign trade. However, both presidents at the same time added that the development bears the marks of even other expectations, primarily the expectation of a currency devaluation. Responding to a question by HOSPODARSKE NOVINY as to how likely Slovakia is to introduce an import surcharge and how it might not be applicable for imports from the Czech Republic, the president of the Association of Industry for the SR, Jan Ducky, noted that the import surcharge will obviously come about, and, for the time being, there is discussion as to whether it would even be applicable to Czech goods. Popovic then added that, if the surcharge were not to be applied to Czech imports, it would solve nothing for Slovakia. Both representatives resolutely denied that political pressure was being exerted on their members in the CR or the SR, pressure designed to hold back on mutual payments. The industrial associations evidently see much promise in the proposed corporation, which would obviously also be joined by some bank. The association presidents stressed that the corporation would not be dealing with mutual credits but would be interested in trade, including trading accounts receivable. The corporation will take on more specific shape over the next two weeks, but it is clearly expected that member enterprises could then avoid making use of clearing centers in doing business with each other and could, among other things, save on the fees charged by these centers.

**\* Slovak, Czech Citizenship Laws Compared**

93CH0518A Bratislava MOSTY in Slovak  
16 Mar 93 p 8

[Article by Vlado Czech: "Citizenship Laws"]

[Text] Until 31 December 1992, it was law No. 206/1968 of the law gazette that regulated the acquisition of citizenship in Slovakia; in Bohemia and Moravia, it was law No. 39/1969 of the gazette. The texts of both laws were virtually identical and provided as follows:

- A republic's (Czech or Slovak) citizenship is held by a person who has Czechoslovak citizenship and was born on the territory of the respective republic before 1 January 1969.
- Children from marriages of persons of Czech and Slovak citizenship acquired citizenship according to place of birth; if they were born abroad, according to the mother's citizenship. A child's citizenship could be changed to the other republic's by declaration within six months of birth.
- The other republic's citizenship could be acquired by marriage and declaration within six months of the marriage.
- Citizenship of a republic (Czech, Slovak) could be granted on the basis of an application if the applicant resided permanently on the territory of the republic (in Slovakia, a minimum of two years was required, this being the only significant difference between the two laws).
- Citizens of one republic lost their citizenship by law through acquiring citizenship of the other republic.
- Citizenship of one republic was not lost through marriage to a citizen of the other republic.

Neither law stipulated any further requirements for applying for citizenship or mentioned knowledge of the Czech or Slovak language.

After 1 January 1993, citizenship matters in Slovakia are regulated by law No. 40/1993 of the gazette, dated 15 February 1993, and, in Bohemia and Moravia, by law No. 40/1992 of 29 December 1992.

It follows from the texts of both laws that, by law, citizens have the same citizenship they held on 31 December 1992 (according to place of birth, if born before 1 January 1969, others according to their parents' citizenship as provided for in the earlier laws). In other provisions, however, the two laws differ.

The Slovak law permits the acquisition of citizenship by election for persons who, as of 31 December 1992, were Czechoslovak but not Slovak citizens. The election can be exercised not later than 31 December 1993 by a written declaration. The citizen must prove his identity,

place of birth, and residence as of 31 December 1992, and also that he was a Czechoslovak citizen on 31 December 1992.

The Czech law permits the election of Czech citizenship for SR [Slovak Republic] citizens by declaration filed not later than 31 December 1993, provided they have had uninterrupted permanent residence in the CR [Czech Republic] for a minimum of two years.

- If they submit proof of release from the SR citizenship or adduce a fact that is acceptable in lieu of such proof.
- If in the last five years they had not been legally convicted of a willful criminal act.

Within the context of exercising the election, the law stipulates further conditions for admission to citizenship if the Slovak citizen has no permanent residence in either the CR or the SR, and also the requirement to submit proof of a child's release from SR citizenship if both parents became CR citizens by election.

Another way of obtaining citizenship is by award.

The Slovak law stipulates that citizenship may be awarded on the basis of an application to a person who has had uninterrupted permanent residence in Slovakia for at least five years, who has a command of the Slovak language, and who, in the past five years, had not been convicted of a willful criminal act. According to the law, it is in the applicant's favor if he does not have other citizenship or proves that he has taken steps to relinquish his present citizenship.

The Czech law requires the following for a grant of citizenship:

- Uninterrupted permanent residence in the CR for at least five years.
- Proof of release from the citizenship of another country, or, respectively, of having been deprived of present citizenship.
- No record of conviction for willful criminal acts within the past five years.
- Proving a command of the Czech language in accordance with binding standards of the CR Ministry of Education.

In addition, the applicant must present a birth certificate, a marriage certificate, or, respectively, proof of divorce or the husband's death certificate and a life history.

Proving knowledge of the Czech language is not required of applicants who are or were SR citizens. The Slovak law does not specify a "command of language," and an exception for CR citizens may well be extrapolated from the language law.

A surprising difference is that, unlike the Slovak law, the Czech one makes an oath of allegiance a requirement for granting citizenship. This institution existed in both earlier citizenship laws.

Also worth mentioning are the provisions relating to the loss of citizenship.

The Slovak law says that citizenship can be lost only by release from the state's jurisdiction at one's own request. A release is permitted only for persons who hold citizenship of another country or a promise of acquiring it. No release is allowed for a person under criminal investigation, one who is serving time or has not served a court verdict, or a person in arrears for taxes or public fees.

The Czech law allows for the release from CR state jurisdiction and the loss of citizenship by declaration and for the loss of citizenship by acquiring other citizenship. Release at one's own request is permitted only for a person without permanent residence in the CR and who has acquired foreign citizenship or has a promise of acquiring foreign citizenship. A person who has resided

abroad for at least 10 years may relinquish CR citizenship by declaration. A CR citizen also loses his citizenship if he acquires foreign citizenship at his own request, except when he acquires it through marriage or birth.

It follows from the above that citizens living on the territory of Czechoslovakia, according to laws in effect previously as well as currently, may hold only Slovak or only Czech citizenship (as a rule, according to place of birth). Slovak citizens in the CR or Czech citizens in the SR may elect the other republic's citizenship no later than 31 December 1993 under the (different) legal requirements of the respective republic.

This conclusion, surely rather harsh for many, does not apply to Czech citizens who acquired other than Slovak citizenship before 1 January 1993, or to Slovak citizens holding one additional citizenship but not Czech. The benevolence of the current Slovak law in regard to possible concurrent Czech citizenship is "suitably" compensated for by the Czech law's provisions on the loss of citizenship.

**Caution:** References to both laws are only for information purposes. In specific cases, it is necessary to consult the complete texts of the laws as they have been published in the law gazettes of the republics.

**\* Dependence on Foreign Aid Continues**

93BA0856A Paris *LE FIGARO* in French  
(*LE FIG-ECO SUPPLEMENT*) 31 Mar 93 p 10

[Article by Philippe Gelie: "Albania: Democracy by Perfusion"]

[Text] *A Third World Enclave in Europe.*

*Two years after its return to a free system, the country is surviving thanks to the money of others. The instability in the Balkan countries and the government's inaction prohibit any influx of foreign investments worth mentioning.*

Tirana—Plunged into economic disaster by 46 years of a communist dictatorship, Albania has survived for the past two years by "perfusion." Without aid from the international community and the solidarity of its emigres, it would be but a Third World bridgehead in Europe.

"We are the only nation in the world to do nothing but traffic in cigarettes!" Sabri Godo, president of the Albanian Republican Party, disconsolately contemplates the thousands of idle men wandering aimlessly about the streets of Tirana.

And yet, the anger of this 64-year-old writer is not directed at his fellow countrymen. Rather, it is aimed at the democratic government of Sali Berisha who, a year after coming to power, "has not built one kilometer of road or modernized a single factory!"

After the collapse of the regime of Ramiz Alia, Enver Hodja's successor, all activity came to a sudden halt in the old Stalinist fortress. "All our people knew was hard labor," explains one Albanian diplomat. "Once free, they spontaneously stopped doing anything they were not forced to do."

Once authority had virtually disappeared, the country sank into a veritable coma. Production structures were neglected, supply systems ceased to exist, marketplace shelves stood empty, and UNICEF had to develop a program to fight malnutrition patterned after the one in Ethiopia!

**Pitiful Progress**

Two years later, clear progress is perceptible. There is food on the shelves, even if prices are prohibitive. Small businesses are beginning to reassert themselves: If one searches long enough, one can now find in Tirana six or seven shops that sell parabolic antennas to receive satellite television. "Since 1990, Albanians have bought more vehicles, refrigerators, and washing machines than they did during the previous 20 years," President Sali Berisha emphasizes. During the Enver era, the total number of cars did not exceed 2,000. Some 20,000 entered the country last year alone!

Is this opulence? Far from it! The industrial infrastructure remains in a state of total collapse and, above all,

unemployment is a scourge. Some 350,000 persons (out of 3 million inhabitants) collect "assistance" ranging from \$10 to \$25 a month, while another 150,000 live off of "trafficking in cigarettes." From \$500 million in 1990, exports dropped to \$25 million last year.

"Albania is floating on the money of others," wails Neritan Ceka, president of the Democratic Alliance. Seeing the gravity of the situation, the international community has poured in emergency aid with no guarantee of repayment. Some \$200 million are paid to the government each year by the EEC, IMF, and World Bank to "help" the unemployed and "buy" social tranquility.

Humanitarian aid stops up the holes in the health system and agriculture. With its Operation Pelican, Italy is by far the main donor, shipping in 500,000 tons of food over the past 11 months. Nevertheless, the bulk of the help comes from some 300,000 emigre workers. Money sent to their families totals an estimated \$400 million a year.

**Heavy Burden**

The problem is that no investment worthy of the name has yet crossed the border. Berisha's explanation: "The absence of infrastructure and lack of security in the Balkans are two factors that discourage Westerners." Foreign experts add a third: "The government does nothing; its effectiveness is close to zero."

The heavy burden of Albanian political life has turned into revenge that has hurt the recovery's effectiveness. A purge with a strong ideological aftertaste has hit the government administration and enterprises. Almost all competent experts are suspected of having compromised with the old regime. Newcomers lack experience: "Our parents knew more about the market economy than we do," the president admits.

"Our current leaders are very open to outside advice," one international financier confides, "but they can't even draft an order. You have to hold their hand throughout the entire reform process."

The "stability" government, a coalition of socialists and democrats that allowed a smooth political change until the March 1992 elections, privatized shops without any consideration for former owners!

The latter are now asserting their rights, creating problems of extraordinary complexity. The peasants have likewise reclaimed land collectivized in the 1960's, but the absence of any legal framework encourages all manner of disputes.

All Albania is caught up in the debate, typical of the difficulties of democratization in the Eastern-bloc countries. "The shops were bought in 1991 by those who could afford it, meaning the members of the Enver *nomenklatura*," Rapo Danushi, president of the Property and Justice Association, which reportedly has over

150,000 members, angrily protests. While hoping for a fairer distribution of the former Communist state's property, he demands the restitution of land to its rightful owners rather than simply returning it to those who worked it until 1990.

At a time when farm production is just beginning to experience growth essential to the country's survival (roughly 14 percent a year), the government cannot afford any interruption in its momentum. Any squabble over titles to property could destroy the already highly fragile national economic fabric.

"We never promised restitution," Ministry of Economy officials explain. "We are working on a different form of material compensation." In the cities, lots would be given to properly identified owners who would pledge not to modify the type of usage. At best, they would receive low rent paid by occupants. In the country, once the price of tillable land is established, the former owners of parcels would receive the equivalent of 10 or 15 hectares in certificates for deeds or shares.

#### Danger of Inflation

Such a procedure might soothe passions but could ruin the government for good. International organizations are encouraging the young Albanian democracy to control its spending, a task facilitated by the absence of banking systems. Inflation hit 300 percent in 1992. Despite the official goal of 45 percent this year, most experts think it will go as high as 80 or 90 percent. The budget deficit is expected to total 23.3 billion leks (about \$230 million), covered by international financing.

#### Getting the Machine Running Again

Whatever the case, the machine has to be started before the people's impatience turns to anger. Albania may well be rich in ores, hydroelectric power, and oil, but the funds and technologies needed to develop them are lacking. It could also look to tourism if it had an adequate infrastructure.

"I am very grateful for the courage of the people, who have consented to embark upon the reform with empty shops," Sali Berisha says. According to a Gallup poll conducted for the EEC in November 1992, 46 percent of the people think the situation has improved over the past 12 months and 71 percent believe it will continue to improve.

Tomor Dosti, once a political prisoner and now secretary general of the Democratic Party, echoes Albania's hopes: "We would be the happiest people in the world if what we accomplished in politics could have been achieved in economics with equal quickness."

#### \* Life of Greek Minority in Gjirokaster

93BA0882A Paris *LE MONDE* in French  
4-5 Apr 93 p 4

[Article by Sylvie Kauffmann: "Greek Mountainside Festival in Albania"]

[Text] There are crowds in Gjirokaster's town square this Thursday night, 25 March. Greeks all over the world are celebrating the anniversary of the first day of their ancestors' struggle against the Ottomans, and, for the first time in Albanian memory, Greece's consul general is giving a reception to mark that historical date. Further down the way, the Greek flag, a splash of blue and white against the gray stone, flutters proudly over a big building that without a doubt was once majestic and that today is as dilapidated as the rest of the country.

If Gjirokaster still stands, it is because, having come out of another age, it has clung tenaciously, for centuries, to the mountainside—"a leaning town, perhaps the world's most leaning town," writes Kadare<sup>(i)</sup>—because the walls of its houses are not much less than one meter thick and because even the madness of Enver Hoxha was unable to penetrate it. Is it by chance that Ismail Kadare and Enver Hoxha are both sons of Gjirokaster, the town encased in stone?

Soon, when the dilapidated building has been restored, it will enthrone the Greek Consulate for Southern Albania, as the Albanians would have it, or for Northern Epirus as the Greeks would. For now, the Gjirokaster town house's "salons"—a big room with grimy walls and formica chairs—is where Mr. Jacobu and his vice consul, Mr. Bornovas, hold their receptions. There, one can meet respectable matrons in their Sunday best, small plate of meatballs in hand; a Greek professor of electoral sociology, here from Athens to pursue obscure studies in this Albanian county township; the region's notables, their necks squeezed by their tightly knotted ties; and, of course, Satiris Kiriazatis, a venerable, smiling sexagenarian, who spent "only" four years in communist jails for having suggested that the Greek minority in Albania be treated better.

Mr. Kiriazatis is the president of an association, "Omonia" (Harmony), that defends the interests of this Greek minority. With his piercing black eyes under white eyebrows, he is infuriated that "Omonia be deprived of its representation in Tirana's parliament. This," he says, "is not a democratic attitude." The Albanian Government has forbidden the ethnic parties to field candidates in the national elections, and it is therefore under the banner of a general Human Rights Party that two members of Omonia had to become elected deputies last year. Mr. Kiriazatis also demands that education be conducted in Greek "wherever there are Greeks, and at all levels." "Where there are many Greeks, a university is needed," he says. "A Greek university," Genc Pollo, President Sali Berisha's spokesman, with the gawky walk of a U.S. student, repeats mockingly in his office in Tirana: "A cathedral in the desert!"

How many Greeks live in Albania? Nobody knows for sure. The last census, taken under Enver Hoxha, estimated their number at 59,000, a figure that must be taken with a large grain of salt. At the other extreme, the Greek consul general's reckoning is 400,000, or 12 percent of the Albanian population; 34 percent of Gjirokaster's population are supposedly Greeks, as are 42 percent of Saranda's population, behind the mountain, overlooking the sea.

### Still No Running Water

Conspicuous in its deprivation as compared to Corfu, Saranda has the same sun, the same blue waters, fewer tourists, and more bunkers. In front of the town's only hotel, a Greek bus, air conditioned, with such comfortable lines as to seem incongruous in that austere decor, is discharging a stream of notables, members of Ioannina's Rotary Club. With well-groomed hair, their Ray-Ban sun glasses, and fine-quality shirts, they, too, appear somewhat incongruous, to say nothing of their enthusiasm. They have come to "help the Greek minority," with books and school supplies that they distribute in the villages.

To tell the truth, the Albanian Greeks are very grateful for the books, but they would like even more to be able to travel freely to and from Greece, where, "in one day of work we make the equivalent of two months wages in Albania." Athens's attitude on this point is ambiguous: Allow a minimum number of immigrants to enter, yes, be it for no other reason than to avoid an implosion in miserable Albania; but depopulate Northern Epirus of its Greeks, no.

The villages that separate Gjirokaster from the Greek border have already been drained of men between ages 20 and 40. They have entered Greece to work there, with a visa or illegally, and are now providing food for the rest of the village. The rural hospital has been closed for lack of doctors. They are now laborers, waiters, or, at best, nurses on the other side of the border. Gjirokaster's hospital, also deserted, can no longer treat emergency

cases. They are sent to Ioannina. "In the village, things are clearly not the same any more," a grandfather from Grapsh comments sadly. His six children have left for Greece. "There are no longer any young people here. There is no more life." Grapsh, with its hard-packed dirt roads, had 530 inhabitants before the opening of the border with Greece. Today, it has 290. Old men at the coffee house, children in school—Greek school—the women at home. In between, no one. The departure of the young has been compensated for by the arrival of extraordinary objects: color TVs, refrigerators, and washing machines bought with the money they send home. But still no running water.

Will Albania's Greek minority be the Balkans' next hot spot? That is still a distant eventuality, even though feelings at Tirana and Athens are running skin-deep. In northern Epirus or southern Albania, Greeks and Albanians are living in perfect harmony for the moment, mired in the same destitution.

In its gloomy stone dwelling perched atop Gjirokaster's heights and minus a floor since the 1956 fire, the Maliko family, Albanians of Orthodox faith, welcomes a foreign visitor with touching generosity and is amazed that, high up, the authorities should take offense at the arrival of Greek clergymen coming to the rescue of Albania's Orthodox Church, seriously manhandled as it had been and as all the other religions had been by the former regime. "After all," exclaims the aunt, "the Italians are sending Catholic priests!" The father is hard at work repairing the Orthodox Church building, two houses and a slope lower down. The communists had transformed it into a warehouse. With the money given by the Greek Church, the work is proceeding at a rapid pace. Gjirokaster has not only had a Greek Consulate General for the past five months; it also has a few mosques and churches. As for running water, perhaps in due time.

### Footnote

1. Ismail Kadare: "Chronique de la ville de pierre" [Chronicle of the Town of Stone], Fayard 1985.

\* **Informal Name for Czech Republic Proposed**

93CH0539E Prague LIDOVE NOVINY in Czech  
27 Mar 93 p 3

[Unattributed article: "The Civic Democratic Alliance Favors the Title Czech Lands (*Ceske zeme*)"]

[Text] Prague—The Civic Democratic Alliance [ODA] will initiate a resolution of the Chamber of Delegates in which it will be proposed or recommended that the term "Czech Lands" be used to designate our republic. According to Pavel Bratinka, ODA deputy chairman, the term "Czech Lands" has advantages for use not only within the republic but also abroad. According to Bratinka, it primarily and definitively wards off the danger of the highly unsuitable German designation of *Tschechei* because the German translation of the new title would sound like *Tschechien*. At yesterday's press conference, Bratinka stated that the new title cannot be legalized, but it can be given priority on all official occasions and in all official negotiations so that it becomes generalized in terms of our and foreign communications media. He added that, even at the Ministry of Foreign Affairs, there is agreement involving this proposed title.

\* **Social Democracy's Plans Described**

93CH0539D Prague RUDE PRAVO in Czech  
30 Mar 93 pp 1, 9

[Interview with Vaclav Grulich, newly elected deputy chairman of Czechoslovak Social Democracy, by Alexandr Mitrofanov; place and date not given: "Social Democracy Does Not Wish To Stick With Merely 11 Percent of the Electorate"]

[Text] Delegate Vaclav Grulich was elected at the February congress of the CSSD [Czechoslovak Social Democracy] as deputy chairman of that party. In the distribution of authorities within the leadership of the CSSD, he was made responsible for the party's work in the parliament.

[Mitrofanov] Were you not sorry that you were not elected first deputy chairman?

[Grulich] No.

[Mitrofanov] Were you not attracted to that job?

[Grulich] You know, I did not want to be elected even deputy chairman. I participated in electing the first deputy chairman because a certain opinion surfaced indicating that the Central Executive Committee should not be presented with only one candidate for that job. The election of Pavel Novak will confirm the situation that developed for us after the congress. In the management sector, an industrious and tightly knit team is developing. It discusses everything openly and even hears varying viewpoints and, for the time being, always comes to an agreement and provides a unified solution.

[Mitrofanov] Before the congress, it was not possible to speak of a practiced team within the narrow leadership of your party. To what do you attribute such a specific change?

[Grulich] First, the chairman is a totally different person. He does not use the words "I and my party," he submits questions for discussion and decision, he states his opinion, and he hears the views of others and manages to adapt himself to those views. Second, none of us sitting around the table within the party leadership are yes-men. I therefore believe that the hopes we placed in the election of the leadership at the congress can be realized.

[Mitrofanov] So Milos Zeman is no longer the Milos Zeman you criticized in RUDE PRAVO a few days before the congress?

[Grulich] I criticized him in a conditional manner. I said that, if he would abandon the use of unnecessary sarcasm and irony and prove capable of being substantive and persuasive, people would accept him. Milos Zeman is one of the most highly educated and clever people I know in my environment. He knows how to use his knowledge and his intelligence. He actually is capable of using more irony than is customary in our parts. But a little humor has its place in politics. A somewhat different way of expression than what is customary can only breathe some fresh air into politics. People should become accustomed to the fact that even very serious matters can be discussed without frowning at each other.

[Mitrofanov] In the latest public opinion poll, the CSSD received 11 percent of the votes—4 percent more than it did in February. How do you intend to continue increasing the number of your followers?

[Grulich] We shall be doing so in a way we have already begun. We travel to see people. For example, I returned during the night from Zdar nad Sazavou and have scheduled trips in the coming days to Jindrichuv Hradec and environs, Znojmo and environs, and Pribram. The program of the other members of the leadership is similar. We must strengthen okres committees and make it possible for them to achieve far greater contact with the citizenry than has been the case thus far. Okres secretaries and the chairmen of okres committees cannot sit in the secretariat and wait for people to come to them. We must show that we want to engage in open and clear politics that benefit the people. We must demonstrate that we are a consistent opposition party, but not an opposition party at any price or a party that is obstructionist and favors fragmentation.

[Mitrofanov] Do you meet only with members of your secretariats on these journeys?

[Grulich] No, they are all gatherings of citizens, gatherings of the membership base. A secretariat has only one job and that is to organize those meetings with voters for us.

[Mitrofanov] And do the voters come?

[Grulich] If some 30 to 40 people attend a meeting in a village on relatively short notice, that is not exactly a paltry number. Some government parties cannot muster such numbers in even okres towns. For the time being, attendance at our meetings during the past weeks has not dropped below 30 or 35 persons.

[Mitrofanov] You do have 11 percent of the popular vote. How much would you like to have?

[Grulich] As much as possible, of course. We must have a percentage that is large enough for us to be able to influence policy.

[Mitrofanov] Your former party chairman, Jiri Horak, often spoke of 15 percent. Do you want still more?

[Grulich] Of course. I know of one Brno bishop who was 90 years old and for whom a well-wisher expressed the wish that he live to be at least 100. At that time, the lord bishop responded: "Dear friend, do not place limitations on the mercy of God."

[Mitrofanov] As deputy chairman, you have been charged with the CSSD's parliamentary work. You have thus been left with a certain neuralgic point of your party—that is, working together with the Rakovnik stream within the parliamentary faction. Do you believe that the followers of the Rakovnik wing in the faction will be rebellious?

[Grulich] I do not know that we can call it being rebellious. But, for the time being, I would not dare to consider whether they will collaborate because, as far as two or three specific representatives of that wing are concerned, they are more or less not participating in the work of the faction for the time being. However, as long as negotiations with them do not take place, I would not like to publicly mention their names. Other than that, the parliamentary faction has begun to work once more since the congress and is working quietly and well. I have submitted a design as to how to further realize the interconnection between delegates and the party leadership, how to assure the existence of legislative services for the delegates.

[Mitrofanov] Is the atmosphere in the faction such that they would accept your proposal?

[Grulich] For the present, no critical remarks have been made, and, in debates both within the faction and with individual delegates, I have gained the conviction that my proposal is being accepted positively.

[Mitrofanov] You were the chairman of the parliamentary faction, and you were replaced in that office by Karel Hrdy. Today, you must cooperate closely. Will no friction areas develop between you?

[Grulich] I do not believe that any friction areas exist between us. We analyzed the situation with Karel Hrdy. I am doing everything I can to see to it that he is rendered all the aid he needs. I am trying to create for him better working conditions than those that were created during

the second half of last year for me. To tell the truth, as chairman of the faction, I virtually had no help from the chairman of the party.

[Mitrofanov] Following the advent of the new leadership, of which you are a member, the public expects the CSSD, as Milos Zeman said, to attack the goal. Primarily in parliament. When will something palpable develop?

[Grulich] It is already happening. As a result of just a day and a half of work, we submitted at least five interpellations to the parliament last week. Along with delegates Krycera, Trnka, and Vyvadil, we proposed that a law on a referendum be adopted. And with colleagues from other opposition factions, we proposed that an extraordinary session of the Assembly be convened to handle those matters that, for the most part, have to do with clarification and responsibility on the part of the government and that were rejected by the coalition last Tuesday, when the Assembly was called into session. Just from what I have shaken out of my sleeve, so to speak, you can see that there is a whole series of such initiatives. Actually, there are even more of them.

[Mitrofanov] You identified some delegates from various factions. Are there factions that will be your priority allies?

[Grulich] We have renewed the kind of cooperation that had essentially become moribund since the time I ceased being chairman of the faction. I have in mind cooperation with the LSU [Liberal Social Union] and the HSDMS [Movement for Independent Democracy—Society for Moravia and Silesia]. Following new negotiations, we agreed with colleagues Krycera and Trnka to submit a joint proposal for the establishment of a commission of the Assembly to oversee privatization. We came to an agreement precisely about the fact that we shall compare our planned initiatives and agree on which of them we can jointly support.

[Mitrofanov] The bone of contention for the CSSD has always been parliamentary cooperation or even contacts with the left bloc. What is the situation in this regard now?

[Grulich] A certain degree of cooperation in voting on some laws or regulations in the Assembly is something quite different from cooperation between political parties. We are not initiating any cooperation with the communist party, and we shall not initiate any. However, that does not exclude the possibility—and political work is such as it is—that we would not inform the representatives of the left bloc from time to time of our intentions and that we would not contact them with the objective of ascertaining whether they are willing to support those intentions. From their side, the activity is similar.

[Mitrofanov] Are similar informational contacts ongoing involving coalition factions?

[Grulich] They are occurring in certain directions—for example, during the election of representatives to the Council for the CTK News Agency. However, those are isolated contacts. They were more frequent while the Constitution was being shaped. It always depends on what is being discussed at the moment in the Assembly and to what extent the coalition is proceeding as a unified obstacle. It is necessary for an immovable obstacle not to be formed between the coalition and the opposition. It is necessary to meet earlier than at the lectern in the Assembly or before the television cameras. We frequently find out that seemingly great disputes are actually not so great, and that it is possible to come to agreement on many matters without erecting those barriers between ourselves.

[Mitrofanov] In the fall, you criticized the coalition in RUDE PRAVO for behaving in a very sovereign manner, almost in a dominant manner, and for not figuring on the presence of the opposition. Have things changed in this regard?

[Grulich] There are some examples where the change is visible, but there are also examples where the voting machinery and party discipline continue to rule.

[Mitrofanov] Is party discipline not native to the CSSD?

[Grulich] In some instances, we are making efforts to persuade all members of the faction to vote in a uniform manner, but there is no lever with which we might order the delegates in our faction to vote one way and no other.

[Mitrofanov] Are you convinced that such levers exist in the coalition factions?

[Grulich] I cannot see within the coalition factions to such an extent that I would know the methods by which they achieve that. But they clearly have more effective levers than we do because they quite frequently achieve the effect of unanimous voting.

#### \* Description of Struggle Within KSCM

93CH0539C Prague RESPEKT in Czech No 13,  
Mar-Apr 93 p 3

[Article by Petr Schwarz: "No Decision Within the KSCM (Communist Party of Bohemia and Moravia) Yet—Jiri Svoboda Neither Won nor Lost; He Merely Endured"]

[Text] The weekend session of the Central Committee of the KSCM [Communist Party of Bohemia and Moravia] on 30-31 March was supposed to definitively decide the conflict between "reformers" and "conservatives"—in other words, between Jiri Svoboda, party chairman, and the party apparatus. The result surprised everyone: Svoboda remains in office, and the decisive conflict surrounding the image of the second-strongest political party in the Czech Republic is being put off.

#### The Specter of Democratic Socialism

Jiri Svoboda was able to follow the last congress of the KSCM in Kladno only from his hospital bed, following an assault by a man wearing the mask of the Merry Dancer. Perhaps that was the reason the top party organ refused to incorporate the term "democratic socialism," which Jiri Svoboda considers to be the main principle for reforming the former state party, into its new program. The chairman was not able to assert this term until the subsequent Central Committee resolution and hardened his position still further after the "For socialism" platform was announced: The only possibility for the party to definitively cease attracting people of the Obzina and Stepan type was reportedly the change in its title. This time, however, he encountered fundamental resistance.

Even his existing allies were found among Svoboda's critics—for example, former delegate Miloslav Ransdorf. The results were not long in coming: The second meeting of the Central Committee took more than a cool position with respect to the Svoboda idea. He therefore offered to resign, a thing the Executive Committee immediately rejected and, surprisingly, expelled the representatives of the "For socialism" platform from the party. Those people called the decision invalid and appealed to the Arbitration Commission. Pretty soon, 42 members of the Central Committee wrote a letter demanding that a special session be convened, which met last weekend, on 30-31 March.

#### Perhaps the Merry Dancer Will Return Once More

Officially now, there are three principal streams competing within the KSCM: the orthodox stream of M. Stepan; the Svoboda "reform" stream, which is stumblingly attempting to convert the party to the positions of the Socialist International; and the noncommunist stream of theoretician M. Ransdorf. All three movements are mutually infiltrating each other and accusing each other of treason. However, there is yet another interpretation of the power struggle within the KSCM: That is reportedly the conflict between J. Svoboda and the party apparatus. The carefully created image of J. Svoboda as a man fighting against "untruths" in the pre-November CPCZ [Czechoslovak Communist Party] made it possible for many "tried and proven cadres" to find comfortable shelter in the bosom of their native party, where they were only waiting for a suitable moment to return to the political scene. In contrast to J. Svoboda, they knew that would not be a major problem with the assistance of the virtually untouched okres and local organizations.

One of those people is even former StB [State Security] Major Petr Zak, who headed the 10th Directorate, which dealt with "antisocialist forces" (see RESPEKT, No. 1, 1991). Today, that man is employed directly at KSCM headquarters as an adviser to Secretary Vratislav Novak. Conditions within the secretariat are attested to by the fact that one of its employees recently threatened, before

witnesses, that, if Jiri Svoboda continues in his reform policies, "it is possible that the Merry Dancer might return."

#### Lack of Freedom With Svoboda

The party apparatus clearly understands that, if Svoboda succeeds in his move to rename and restructure the party, he will gain considerable authority and it will become impossible to depose him without reverberations in the membership base. Moreover, Svoboda is proposing that functions at the okres level be honorary—unpaid. That is why the "42" insurgents include an absolute majority of officials at the okres level—of course, supplemented by the spokesman for the "For socialism" platform, Vaclav Papez, and other bigwigs of the pre-November regime culture: the author of the serial "Countrymen," Jaroslav Matejka, and poet Karel Sys. Not even the above-mentioned Miloslav Ransdorf (who today is an adviser to Deputy Chairman Grebenicek) is missing or Vratislav Novak.

Most of them make no secret of the fact that the purpose of the weekend session was to be the expression of no confidence regarding the Executive Committee and that the goal was to recall the party chairman. They also sought to make an attempt to utilize the time before the meeting for a deliberate campaign. Miloslav Ransdorf printed the article "Lack of Freedom With Svoboda" in NASA PRAVDA, in which he appeals to the sentimental relationship regarding the party's name. "For many individuals, the name of the party is symbolic of the fact that we did not sink to our knees and that we had the courage to go against the current. Svoboda's argument that we should take the road that is the majority leftist road smells of slave morality," wrote Svoboda's former ally.

However, the hastily called extraordinary meeting took most of Svoboda's opponents by surprise. "We were not even able to agree on recalling the chairman," openly stated one of them—Josef Hlad, Central Committee secretary.

#### An Absurd Drama

Obviously, for those reasons, the negotiations of the Central Committee resulted in the end in only a few blank rounds being fired in the form of personal attacks by Secretaries Hlad and Novak. However, something novel was the public attack by Miloslav Grebenicek, deputy party chairman, whose speech was characterized by some delegates as being a "preelection speech aimed at the office of chairman." Nevertheless, a serious proposal to recall J. Svoboda did not crop up at the meeting, perhaps even because there are still too many candidates for the office of party chairman.

Then even the decision by the Central Committee to definitively deprive the protagonists of the "For socialism" platform of party membership became part of that absurd schematic, as did the decision to defer the question of the party's name until the June congress. The first

round in the battle to reform the unreformable party was thus neither won nor lost by J. Svoboda, but he persevered. Now, it will be a matter of how both sides make use of the time until the congress and the extent to which they succeed in recruiting the membership base to their cause.

#### \* Political Parties View Status of Moravian Region

##### \* Differences Abound

93CH0540A Prague TELEGRAF in Czech  
13 Mar 93 p 3

[Editorial by Ferdinand Peroutka: "Drimal and the Others"]

[Text] Although most of the political parties are not taking a stand on the future land administration setup of the Czech Republic [CR], the evolution of views on this problem within the parties is noticeable. Thoughts about a federalist setup have been tabled, and the idea of a union state has faded away (maybe to the detriment of the matter). After a certain calming down of the nationalistic fervor in the HSDMS [Movement for Self-Governing Democracy-Moravia and Silesia] and the LSU [Liberal Social Union], the front row center of the most militant Moravianism has been taken over by strictly marginal elements. In the first place, by Sladek's Republicans, who did not lift a finger on behalf of the republic and who, by their destructive attitude toward it, have almost excommunicated themselves from the parliament, and, right behind them, are Drimal's extraparliamentary Moravian National Party and Michalek's (Bartoncik's) Christian Socialist Union, which includes defectors from the People's Party. Together, they make a lot of noise, name each other to the so-called Moravian-Silesian Diet or secret government, and write to Mrs. Lalumier of the European Council about how they are suffering under the Czech yoke. But the truth of the matter is that Moravians themselves are blushing with embarrassment because they feel that these people are not their representatives, that they are not serving Moravia but hurting it.

Nevertheless, the question of the division into land administrative units is on the table of the commission of deputies, and parties in the parliament ought to answer it before long. A lot of background data, which some have been gathering directly in the "field," testifies to their efforts to give an answer that is well-informed and in accord with the will of the people. For example, the KDU-CSL [Christian and Democratic Union-Czechoslovak People's Party] asked the okres organizations for their positions on the matter, and, following the result of the survey, it will certainly propose two or three "higher autonomous land units" in Moravia and five to seven such units in Bohemia. Not far from these numbers is ODA [Civic Democratic Alliance], which is considering five to 10 units in the Czech Republic but intends to call a "communal" conference, at which it

would get a better sense of the citizens' views. The ODS [Civic Democratic Party] basically still stands on its concept of a minimum of three units in Moravia, and, for Bohemia, it considers between five and seven regional units as the most appropriate.

In contrast, the parliamentary opposition tends to think more in terms of a land concept, the numbers of which differ considerably from the numbers of the government coalition in two respects. Whereas the HSDMS, like the LSU, is in favor of one Moravian-Silesian land (possibly a Moravian land and a Silesian land) and two or three lands in Bohemia (including land status for Prague), the Social Democrats would prefer six or seven regional units in Moravia and the same in Bohemia, and they would separate Olomouc from Ostrava and Pardubice from Hradec Kralove. The Southern Moravians are citing the IVVM [Public Opinion Research Institute] opinion poll, according to which 58 percent of those asked spoke in favor of a Moravian-Silesian land. The Northern Moravian representatives, on the other hand, are expressing fear of "Brno-centrism," which, they say, could be even tougher than Prague-centrism, which they have already "learned to handle."

The hope for success coming from this parliamentary jousting is the obvious retreat from the radical stances that were characteristic of the opposition at the beginning of the year. Gradually, everyone distanced himself from Sladek's caricature of Moravianism: the Social Democrats, the LSU, Krycer's movement, the Left Bloc, and, finally, even the Moravian National Party [MNS], which even quit the Kromezir "Moravian-Silesian Diet." But the MNS position is no less radical than that of the Republicans; chairman Drimal is already brandishing the "Moravian right to self-determination" as well as "Czech chauvinism."

Precisely because the scenario and the demands are so ominously reminiscent of the nationalistic offensive in Slovakia three years ago, these acts cannot be underestimated no matter how demagogic and scoff-inducing they are. No serious debate on this subject can avoid a traumatizing remembrance of the inglorious end of Czechoslovakia. Although relations between Czechs, Moravians, and Silesians do not harbor within them such a long-festering charge of real and imagined wrongs that exploded in Slovakia, we must expect that there will be some directors whom a Czech reprise of the Czechoslovak breakup would suit just fine. And it is not difficult to recognize them: They are the "good patriots" who are pushing Czech-Moravian dualism. We shall probably go through some very hot moments with them.

#### \* New Unit Proposed

93CH0540B Prague TELEGRAF in Czech 2 Apr 93 p 3

[Commentary by Petr Pavlovsky: "Interland Region—Center Bolt of the State"]

[Text] With the approaching communal elections, the moment is drawing close when the internal setup of the

Republic will have to be decided in our parliament. Deliberations on this subject will still be haunted by the specter of dualism, irrespective of the number of units, their sizes, or their names.

At least a germ of dualism will remain whenever Bohemia and Moravia are discussed separately—for example, that Bohemia will be divided into krajs, whereas Moravia into lands, or that the Republic will be divided into Czech krajs and Moravian krajs. Of course, the worse solution would be a division into a Czech land and a Moravian land, but, even without the lands and with the same name given to a greater number of the units (regions, krajs, cantons), a solution based on the historic Czech-Moravian border contains the seed of discord. Our civic parliamentary parties stand on the principle that a state setup should be created from below.

The fundamental break-through in this whole problem could be the creation of the Bohemian-Moravian Highlands region. Such a unit, with the center in Jihlava, made up of both Czech and Moravian communities, and, above all, of course, the mixed ones—those in the borderlands—would become something of a precedent. The looking back would end, and the present would be given the decisive word. Simply, the communities that really gravitate to each other would be joined together, and the historic land borders would remain part of history.

I have no illusions about the far-reaching plans of the proponents of such a new region. But I do think we should all root for them because their eventual success would bring stability to the entire republic.

#### \* Dualism Unacceptable

93CH0540C Prague LIDOVE NOVINY in Czech  
2 Apr 93 p 3

[Article by (em): "Dualism Threatens Czech State"]

[Text] Prague (em)—"A land administrative setup on the territory of Bohemia and Moravia has been discussed since 1860, and I have no illusions therefore that we shall adopt its perfect and immutable form," Deputy R. Spacek (ODA [Civic Democratic Alliance]), a member of the parliament commission that is working on the proposal for the land administration setup of the Czech Republic, told LIDOVE NOVINY. This should be made into law, in view of the approaching communal elections, by the end of the year at the latest. The chances the various alternatives have for being adopted are being tested in the deputies' clubs. A total meeting of minds has not been achieved even by the coalition. There are, in fact, questions on which a uniform view does not exist even within the political parties—for example, on the so-called symmetrical setup of Bohemia and Moravia. According to R. Spacek, however, there are several principles on which a future setup must be based. In the commission, these are supported by the other coalition parties, as well as by ODA, and Deputy Spacek also expects the approval of the opposition.

The land administration must be as efficient as possible and must be as little of a financial burden on the state as possible. Only one level between the community and the state will suffice—whether it is called land or kraj is insubstantial. There should be about 10-20 such units and, of those, at least three in Moravia, with centers in Ostrava, Brno, and Olomouc. Dualism or triadism does not come into consideration because that could threaten the integrity of the state. All units will have equal powers, will be approximately the same size, and will have approximately the same representation in state administration and autonomy. They will have under their jurisdiction secondary education, transportation, health-care facilities of a higher level, and the resolution of local conflicts. Their borders are to be based on natural relationships. There is no reason to disavow the historic border between Bohemia and Moravia.

**\* Czech Academy of Sciences Holds First Congress**

*93CH0520A Bratislava MOSTY in Czech*  
16 Mar 93 p 12

[Article by Sylva Danickova: "Academy Congress 1993"]

[Text] At the conclusion of the congress of the Academy of Sciences of the Czech Republic [CR], which was held from 24 to 25 February 1993 in the Slovansky Dum in Prague, the proceedings were reported by Jiri Veleminsky, doctor of natural sciences, to have been very long and very exciting. Nevertheless, it executed its task superbly. Admittedly, the number of discussions during the two days dangerously put off the possibility of taking a breath of fresh air in snow-covered Prague, but, on the other hand, it demonstrated a sometimes almost sensational interest of the attendees in the future of Czech science, in the quality of the statutes of the AV CR [Academic Assembly of the Czech Academy of Sciences], in the correctness of the elections, in an equitable approach to the problems of the discontinued institutions. Moments that were equal to a good sports event as far as excitement is concerned alternated with appearances by guests of honor: Prof. Otto Wichterle, Prime Minister Vaclav Klaus, Minister of Education Petr Pit, as well as the newly elected chairman of the Academy of Sciences of the CR, Prof. Rudolf Zahradnik. They provided a necessary calming and relaxing influence on the room.

Professor Wichterle, elected honorary chairman of the AV CR, started off the congress with his own brand of optimism. Among other things, he said, "This meeting is not a festive one; there is nothing to celebrate. But I hope that it will not be a wake, although there are many reasons to mourn and lament. It has been said that the situation in our school system and in the sciences is disastrous. However, this country is accustomed to disasters. To much, much worse disasters. We have always succeeded in dealing with them. Disastrous situations, though I do not mean to trivialize anything, can

also be useful; they break old habits, defy the norms, and give us an opportunity to look at things in a new light and to do them better in the future.... I hope," Wichterle concluded his welcoming address to the congress, "that you will continue to tend the garden of the academy. It has become rather overgrown, but it is still green, and it is exclusively up to you what fruit it will bear."

Vaclav Klaus, who reminded the audience that he is a former colleague and associate of those present, explained his ideas on restructuring the Academy of Sciences. "The fundamental task facing our society after that stormy week in 1989," he said, "a task with which we still have to grapple with greater or lesser success, is the process of a basic, profound transformation of our society in all spheres of life in this country." Vaclav Klaus considers the transformation of a scientific institution, such as the Academy of Sciences, to be a transformation comparable to that of the industrial giants, which we inherited from the past, as far as scope and difficulties are concerned. He also sees a similarity in the manner in which its problem must be solved. In his opinion, the transformation of the Academy of Sciences cannot be taken out of the context in which it is proceeding. It has many dimensions, and it will obviously be necessary to interface scientific work centers with universities and perhaps to transfer some of the scientific work centers directly to the universities. Therefore, it is necessary to transform the universities simultaneously with transforming the Academy of Sciences.

"Neither the government nor I underestimate the gravity of the situation in which Czech science has found itself," said Vaclav Klaus. "Naturally, the government is aware that tasks such as drafting a finished transformation plan for the academy and the steps linked to it, as well as the interaction of science with the universities, cannot be financed from nothing.... I would like to emphasize," the prime minister concluded, "that the transformation of the institutional base for Czech sciences can only be successful if we all realize that it is a task we must tackle together. I would like to assure you that the Czech Government shares with you this basic realization that it is a joint task."

During the marathon of the first day, two extensive reports were presented, one on the actions of the Committee for Managing the AV CR work centers during the preparations for establishing the Academy of Sciences of the CR and the other on the budget proposal for the CR Academy of Sciences for 1993. Elections for the honorary and new chairman of the AV CR were held, as was the election of members of the Academic and Scientific Council. On the second day, the focus was on establishing the statutes of the academy, and this took place in a stormy but nevertheless civilized exchange of opinions of the General Assembly. Indeed, the two-day work session ended on a spirited note from Professor Zahradnik, in harmony with the concluding atmosphere of the congress: "It is our duty, whether we are fathers or heads of teams at an institute, not to succumb too much to the vicissitudes of everyday life. The ones that await us in

the coming weeks will not be less significant than those we experienced in the past weeks. Do not forget that, through your equanimity and a certain minimum of optimism, you are giving your younger scholarly associates, in particular, a taste for life—and that is worth it! So return to your laboratories with joy. I wish you success!"

**\* Struggle To Preserve Prague's Historical Monuments**

*93CH0556A Frankfurt/Main FRANKFURTER ALLGEMEINE in German 13 Apr 93 p 5*

[Article by Berthold Kohler: "Is There the Threat of a Manhattan or a Disneyland on the Vltava River?—In Prague, Protectors of Historical Monuments, Investors, and Politicians Are Arguing About the Future of the City"]

[Text] Prague, 12 Apr—When the communist regime in Czechoslovakia fell apart in November 1989, art historians in Prague also drew a sigh of relief. Gone was socialist modernism, it was thought, which would have loved to see the "golden city" transformed into a "progressive" industrial center. Overcome were disrespect and mismanagement which would have exposed the majority of the surfeit of architectonic treasures to creeping decay. Three years after the "velvet revolution," however, relief has turned into new concerns. Now, many natives of Prague fear that the market economy might shortly accomplish that which communism, despite much poured concrete, was not able to accomplish in four decades: to transform the city of 100 spires into a "modern" European metropolis, but to thus deprive the city of its features and atmosphere. The dreadful vision of a Manhattan on the Vltava River is making the rounds, the silly dream of communism's victory over centuries-old walled-in familiar scenes.

The invasion of color, chrome, and plastic into the once socialist-gray cityscape was at first welcomed by most citizens as a sign of change and an opening toward the West—even though it was not everyone's liking that the streetcar now comes down the tracks wearing the colorful "prostitute attire" (according to Ludvik Vaculik) of advertisements, that the golden arches of a hamburger chain are pushing into the city panorama in no less than three locations, or that a German laundry soap advertisement occupies an entire building front on Wenceslaus Square.

However, because foreign investors are no longer satisfied with a presence on billboards, but are also becoming active as building owners, a battle is raging between architects and in the pages of the city newspapers. One side sees the new hotel castles, office buildings, and supermarkets as a sign of prosperity and as the advent of the long-denied Western life-style into the city. However, others are afraid that in the Prague of the 1990's the same sins could be committed which have turned the

centers of Western large cities into sterile interchangeable cores since the war. So far, the city, in which every paving stone is virtually a piece of history, has lost none of its charm—20 million tourists last year tend to prove that. Yet, for those who care for its historical monuments, it is time to resist the beginnings and these are said to be already visible everywhere.

The fact that the dispute between protectors and "progressives" has long been ongoing in official quarters was not learned by the broad public until it witnessed the bitter battle between two institutions charged with protecting historical monuments. The struggle involved a neobaroque building in Prague's inner city, the so-called "Spacek House." The responsible Office for the Protection of Historical Monuments of the Municipal Council of the City of Prague had released the building for demolition because an Austrian-American business wanted to erect a multipurpose building on the site. The house, which dates back to the turn of the century and which was quite run-down as a result of its age, was said to be an eclectic structure without any architectonic qualities, according to the chief architect of the city of Prague; and, moreover, the foundation was already crumbling. The new building, on the other hand, according to the historical monument protection office would bring "light and culture" to the somewhat shabby city district.

The other authorities charged with handling historical buildings, the Prague Institute for the Protection of Historical Monuments, saw things in quite a different light, as did whole series of architects and publicists. They considered the building to be worthy of preservation and capable of being preserved. The battle for the corner building, into which old personal threads tended to intervene, finally cost the female director of the institute her job. She had criticized the Municipal Council of the City of Prague, which was her employer, of doing too little to protect the historical buildings of the city and of being too submissive in the face of foreign investors. "Unsuitable objectives and entities are being removed," says Mrs. Muellerova with regard to her own case. The dismissed historical monument protector again sees the spirit of the old regime at work—a regime which is said to have shown interest in external appearance—in preserving a facade Disneyland. She says that anything which stands in the way of capitalist—former socialist—interests must go. The "Spacek House" is said to be a model case.

However, the concerned monument protectors were not only frightened by new construction plans, such as those for a large hotel along the river or plans for an office complex in the *na prikope* pedestrian zone. The "traditionalists" among the architects and art historians are also worried by the disappearance of old house entranceways and show windows, by changes in the roofscape of the city of Prague as a result of attic expansion, and, above all, by the gutting of old buildings. The interest on the part of investors in acquiring the maximum possible

usable area from available space, in conflict with monument protection standards, has led to the fact that, even in Prague, completely new structures with multiple stories are being erected behind facades which have been left standing or which have even been only copied; in one case, this has resulted in window openings of the old and new structure no longer being on the same level.

To put a stop to the creation of additional Potemkin villages and, at the same time, to prevent the commission of even worse construction sins, the monument protectors are demanding that parliament finally pass the new historical monument protection law which the delegates have been arguing about for three years now. Moreover, they are calling for a clear urban development plan. However, what is most important is said to be the establishment of an independent monument protection authority, which is not subject to instructions and which would protect the cultural heritage of the city against "short-term economic interests" and against the "agents of inconsiderate Western investors" within the municipal government.

Within the Municipal Council of the City of Prague, which has been subjected to this kind of criticism, they are, in the meantime, only too well aware that the disputes regarding structures and expert opinions have long since become a political struggle over the future of the city of Prague. Milan Kondr, the lord mayor of Prague, as a member of the neoconservative ODS [Civic Democratic Party] government party who more likely has confidence in the self-regulation of the marketplace, found himself in the crossfire of criticism as a result of the conflict between the new economic interests of the city in the influx of foreign capital, on the one hand, and the growing necessity to protect old buildings, on the other hand—voices of disapproval were even heard within his own party. Whereas some historical monument protectors accuse the Kondr office of corruptibility and of "collaborating" with investors, the latter complain of untransparent decisionmaking and insulting treatment by city hall.

To at least mollify the home front, the City Council intends to centralize the decisionmaking on the protection of historical monuments in the future and also to involve the public in these decisions to a greater extent. The new urban plan for the city of Prague is to be ready in 1996—that is how long Kondr, in whom the tension of recent weeks is visible, says one is "condemned" to living with temporary measures. He says that one cannot put the economic development of the city on ice until that time. However, there is the intention of vehemently resisting the transformation of the inner city of Prague into a "free light museum" through the construction of a few office buildings in the meantime. That is why city hall has already come out in opposition to the parliament which wants to acquire eight residential buildings as office buildings in the Mala Strana district beneath the castle. The lord mayor is now banking on the fact that the listing of the city center in the list of world cultural monuments by UNESCO has given him a lever to be

able to push forward the legislative process in the Czech parliament in matters of monument protection. The fundamental decision which has hitherto been deferred must, however, be made by the city itself: Should Prague become a political, a commercial, or a tourist center and are "normal" people going to be able to live there as well? The city of 1.2 million is primarily suffering from the fact that attempts are being made to squeeze all four of the above functions into its historical center.

And yet, political points and legal conditions do not yet constitute any guarantee that the Czech capital city will not lose additional historical buildings. Because there is a universal shortage of money in order to be able to maintain the virtually immeasurable appearing architeconic wealth of the city. Using its own resources, the city is barely able to maintain municipal buildings and monuments. Because the Czech state now only finances one-fifth of the municipal budget (formerly, it was financing three-fourths), without having improved the revenue situation of city hall in a massive way, the city no longer sees itself as being in a position to maintain state buildings or church properties located on its territory. "The state forgot that," says Kondr; he says there is a flaw in the system of decentralization.

But public funds for renovation work are only available in exceptional cases for the number of private owners which has increased in the meantime. Because the law continues to keep apartment rentals low, many owners are attempting to exempt their rentals from the law and to rent their buildings as office buildings to Western companies. Others shy away from the business risk of a bank loan and let their property continue to decay, irrespective of whether it is protected or not. "One can force no one to spend money which he does not have for the maintenance of a renaissance facade," says a Prague citizen who is an architecture-lover. The "Spacek House," of which only the foundation walls remain in the meantime, will likely be followed into the building rubble pit by other buildings. As things stand, it has been preceded by many such buildings. The foreman of the demolition firm which is leveling the "Spacek House" can confirm this. Asked whether he is not sorry to be demolishing such a building, the man says no, he has torn down many prettier structures already. He is quite frequently surrounded by demonstrating students.

\* Deputy Defense Minister on Army Budget, Management  
93CH0546B Prague A REPORT in Czech Mar 93 p 4

[Interview with Miroslav Kalousek, deputy minister of defense, by Vlastimil Stana; place and date not given: Fair Play Always"]

[Text] There are people whose names we are merely aware of. But there are also personalities whose names do not appear daily in newspaper reports but who nevertheless are present at the birth of something that is

new and still unknown here. In this category of personalities belongs Eng. Miroslav Kalousek, deputy minister of defense, who is responsible for the management of the economic sector. Although his office is a very busy place, this time nothing disturbed our discussion....

[Stana] How does an economist become a deputy minister of defense?

[Kalousek] By being named by the minister. But let us get to what you probably want to know. I am an economist but not by training. Originally a chemist, I used to be in charge of investments in the chemical industry. In February 1990, I accepted the offer of the then deputy prime minister of the Czech Government, Baudys, to become his adviser. Later I acted as his chief of advisers to the Federal Government. After the beginning of the year, I was asked to head the economic sector of this department. I accepted.

[Stana] What is the situation of the Army of the Czech Republic as far as the budget is concerned?

[Kalousek] The Army budget for this year is a survival budget. Although the basic functions of the Army mechanism are guaranteed, there is no money left for development, and I venture to say that there are no finances for the replacement of capital assets. This is the fundamental question: What will the future Czech Army look like? The first half of this year is a totally exceptional, if not a downright historic, period because a new concept of the armed forces of the Czech Republic is being formulated. Precisely for that reason we must have a political commitment that will say clearly and intelligibly: Yes, we want such and such an army, which will require such and such an expenditure.

Personally, I would not like to be involved in the kind of game that was played in the past, when, with less and less money becoming available, the Army, instead of being forced by that fact to change its inner structure, saved in areas where savings are not such a good idea. From the viewpoint of what the state treasury can afford, 23 billion korunas is indeed a huge amount. But, for the kind of Army colossus we have here today, it is terribly inadequate.

[Stana] A reform in the area you are responsible for is undoubtedly essential. Are you looking at the experiences of armies in the developed countries, or do you tend to rely more on your own expertise and that of your coworkers?

[Kalousek] Both. Of course, especially in the area of logistics and support for the armed forces, we follow the experiences of the systems that are functioning in the armies of Western countries. It would be nonsense, after all, to try to devise something that has already been devised. At the same time, however, this military system must be fully compatible with the total economic system of the country. That is not entirely the case today. Whereas an economic reform has been under way in the

Czech Republic for more than two years, the inertia of the redistribution mechanism within the Army still remains in place.

[Stana] What do you consider to be the most basic change in the system of economic management in the Army?

[Kalousek] The abandonment of the diversified system of materiel management, under which everyone had some resources at his disposal. We shall replace this practice with an integrated system of providing funding for our armed forces, from the korunas to all the materiel, such as equipment and weapons. Basically, we are talking about three entities with the same goal but different responsibilities. The first one needs the materiel and will be receiving it on the basis of its requests. It does not buy or pay for it because it has neither the money nor the authority. The second entity buys the materiel, but it actually does not need it for its activities. And it does not pay for it, either, because it does not have any available resources. The third has the resources and pays for the materiel—naturally, on the basis of a budget that was drafted and approved beforehand. This system will ensure at all times an immediate control by quality, amounts, and money.

[Stana] Great changes are taking place in the Army. How successful are you in handling them?

[Kalousek] We are at the beginning. Everything is on paper, which, as is well known, can accommodate anything. In the extensive working team, both at the ministry and at the General Staff, there are many people who understand the necessity for fundamental changes in the system of procurement for the troops as well as economic management as a whole. There is constant talk about compatibility with NATO. But compatibility is not created only by weaponry and such. It is created mainly by compatible thinking and approach to problems. And that is exactly where the new logistic system in the integrated procurement for the forces should help. If we want to succeed not only in our own eyes but also in the eyes of the world, we must implement it as soon as possible. Apart from anything else, it is efficient and economical.

[Stana] Can you disclose to us some of your criteria for selecting people for a team with which you work or would like to work?

[Kalousek] There are any number of them. Besides professionalism, I value creativity most. What we are formulating here is truly something entirely new, and for that we need many good specialists who have initiative. I am afraid that the former system never fostered initiative in people. Personally, I need to have around me people with initiative, people who will tell me straight out that the idea I just came up with is total nonsense and, at the same time, are able to propose another, better solution. With coworkers who do not challenge you, nothing worthwhile can be created.

[Stana] Among your colleagues are many military people who, for years, were led only to follow orders. Are they able to argue with you even about a good thing?

[Kalousek] I was surprised to find that there are true professionals working in the economic sector who really know their business. To be quite frank, I was afraid that that might not be the case. But that is probably true of anyone who comes to the Army from private life. At first I was very unhappy because the creative discussions, which I was used to, were absent here. But I would provoke people, and they would find that it is permitted to have a different view, and now we have here any number of mainly young officers who are doing the right thing and looking for bold solutions to problems.

[Stava] Are you willing to argue about the right thing with even the minister, for example?

[Kalousek] Certainly. I am able to do that with any of the top management. But sometimes it also happens that I argue about the wrong thing.

[Stana] What, in your opinion, is the reason for the Army's being in the condition it presently is?

[Kalousek] The Army is a service to the Republic. Therefore, it must not be understood, not by the public, not by the parliament, not even within itself, as an organism unto itself. Unfortunately, that is what often was the case in the past. The Army created defensive mechanisms against all outside pressures, both economic and societal. The objective was to keep its position, its structure, and maintain within itself a number of institutions that, to my mind, do not belong in the Army. The idea of service was absolutely absent here. No one answered the question: Can we afford an expensive or an inexpensive service? External services did not lead to a more efficient organism, but savings were made where savings cannot be effected too well and without consequences. And that is actually how the internal debt grew. We are all very familiar with the results. For example, capital assets have been totally neglected.

[Stana] Which area of the Army's life will require the largest injection of funds?

[Kalousek] For the time being, we do not have the basic commitment—that is, a decision how strong and how large an army this state wants. Only when we have it shall we be able to work out programs for development and match them with the resources we have available. I therefore do not dare say at this time exactly how much various things will cost. Nevertheless, there are certain priorities. One of them is infrastructure technology, which is often quite antiquated. But what hurts me most are those really terribly neglected capital assets. And here we are again, back to the internal debt I already mentioned.

[Stana] When does the day of the deputy minister of defense begin, and when does it end?

[Kalousek] Mostly at 0700, and I rarely get back before 2200.

[Stana] Do you have time for your hobbies? How do you relax?

[Kalousek] I forgot about free Saturdays a long time ago, but I still try to honor Sundays. However, I have been working at this rate for three years now, so it is nothing new. Until 1990, I used to play competitive tennis. But I have not played any for a long time now....

[Stana] How do you remember your military experience?

[Kalousek] Well, thank you for asking. Military service was quite all right. I served at the airfield in Hradec Kralove as a POL [expansion unknown] technician. I also worked part of the time in a laboratory. In view of the fact that we were working there with pure alcohol, the military service was not that bad.

[Stana] We noticed on many occasions that you have a good sense of humor. What place does humor have in life, in your view?

[Kalousek] It is a necessary part of work and of life as a whole. People with a creative approach to work overwhelmingly also have a good sense of humor. It was proved to me many times. Without humor, one simply cannot live well.

[Stana] You hold the Army's cash box in your hands. Is it the same in your private life?

[Kalousek] No! We would starve to death if I did. While here I am thought of as a miser, I have no idea how to handle the family budget.

[Stana] Can you name a job you would like to have if you were not what you are?

[Kalousek] The possibilities and wishes are many. Probably what would tempt me most is to be a representative of some large investment company.

#### \* Defense Minister Views Army's Future

93CH0546A Prague A REPORT in Czech Mar 93 p 3

[Interview with Antonin Baudys, minister of defense, by Ladislav Lenk; place and date not given: "The New Must Not Be Burdened With Hasty Decisions"]

[Text] Antonin Baudys revealed for the first time what the personnel policy will be!

CT 1 devoted only 10 seconds in its newscast last Tuesday evening to the press conference with the Czech Republic minister of defense, Antonin Baudys, and the next day most of the dailies published only a very brief account of it. Pity. It so happens that, in his regular briefing, the minister of defense addressed a number of fundamental questions.

### Troubling Reconnaissance

At the very beginning of the press conference, Minister Baudys reacted at length to the question of how the Ministry of Defense will participate in the work of the parliament commission set up to investigate "Operation Norbert," "Operatiopn Zasah," and "Operation Vlna." He said that, even though this commission was set up on the initiative of the parliament, he himself held consultations about it with Deputies Suman and Fejsar, and, therefore, to a certain extent, it can be called a joint undertaking. The minister very much welcomes the establishment of the commission because, when he read the report of the president's commission investigating the activity of the CSLA [Czechoslovak People's Army] during the 1989 November days, he became extremely disturbed. The report was not adequately prepared, many things were not ascertained at that time, many names remained unspoken, and, most of all, no conclusions were drawn or measures taken as a result of this report. It was merely a kind of initial exploration of the situation.

At the same time, as Antonin Baudys pointed out, even the original report affords many serious findings. He identified as the most important the fact that, in February 1990, Minister Vacek ordered all of the documents pertaining to the mentioned actions to be filed, but, two month later, General Slimak issued an order to destroy everything. According to Minister Baudys, there was an entirely intentional agreement between these two men to try and destroy all of the documents. That is one more reason the present parliament commission will have a difficult job.

### A Ceiling of Eight to Nine Months

Another weighty issue that was discussed at the briefing was the planned reduction of basic military service. The minister told the reporters that the appropriate proposal is now ready and being submitted for comments. However, a technical sticking point developed in this matter because the Ministry of Interior does not want to pay for the recruits' medical examinations. The Ministry of Defense, on the other hand, considers the recruiting of soldiers a government order, which enjoins the Army to train a certain number of defenders of the country. And it would not be a good idea for the Army to decide who will and who will not be recruited. It should be decided by the government but not implemented by the Army but, rather, by another institution. That is also why the Army objects to financing the medical examinations of the recruits. "Because, if the Army pays, it will also decide. And I would not like to see it making that decision. The entire system must be designed so that the Army will not be able to start doing as it pleases in this matter," emphasized the minister of defense.

He also confirmed that, if there is a reduction of active military service to 12 months, it will affect all servicemen who enter the Army this year. On the other hand, when asked if a term of less than 12 months is

possible, he answered that, at the moment, that is not under consideration but that it cannot be ruled out in the future. However, it is a very complex question because the length of active military service, the numerical status of the Army, and the number of young men fit to be recruited are factors that change and that must correspond. But, if there is a further reduction in the length of service, the limit will be approximately eight or nine months. It is not possible to go any lower than that.

### All Will Undergo Interviews

The question about what happened to the political officers led the minister of defense to speak at length about the personnel policy in the new Army of the Czech Republic. And it was precisely here that we heard some important information. Antonin Baudys officially announced for the first time that all officers will undergo individual personal interviews. It will begin with officers who had CVO [military occupational specialty number] 470 to 479—that is, the political officers; next in line will be those who served in the VKR [Military Counterintelligence Command] and, finally, all the rest of the officers.

On this subject, the minister of defense said, among other things: "The top-level officials in the ministry discussed the concept of how to treat the political officers. But I would like to put this problem into a broader context. The new Czech Army will be numerically roughly 30-35 percent smaller, and, as a result, we will have to choose the officer cadres for this new Army. It will be a significant organizational change, and, within the framework of this change, we would like to talk with all of the officers in order to ascertain what qualifications they have for service in the new Czech Army."

These interviews will take place in conjunction with the work on the new comprehensive personnel system, which will unequivocally specify the requirements for the moral, professional, and physical qualities of the officers. Here Antonin Baudys emphasized that the physical qualifications must not be underestimated because, in his words, the sight of an obese officer is very difficult for him to accept.

By the middle of April, the minister of defense should have on his desk the newly worked out concept of personnel policy and, together with it, the specific procedure for the personal interviews. The drafting of the concept is the responsibility of First Deputy Minister Jiri Pospisil, who put together for that purpose a team of people from the existing Army as well as of people from outside the Army—that is, from various research institutes and academia, and those who specialize in personnel matters.

Antonin Baudys summarized it all with these words: "I want to say that I have considered for a very long time and with a great sense of responsibility how to resolve the issue of political officers, how to resolve the issue of VKR members and the issue of the less competent officers. I came to the conclusion that it cannot be done

by some across-the-board measure or order but that we must, within the framework of the change in the organization and the creation of a new Army, talk with everyone and ascertain what his individual qualifications are. That is the only solution that is fair and decent and that can be the starting point for further work with personnel."

He then added that this is a matter of principle and quite fundamental. The ministry can dream up the most ingenious ideas about the Czech Army that is being newly created but all of that will be for naught if in the key positions are not occupied by people who belong there. And that is actually the meaning of the whole concept of the personnel policy and the individual interviews. At the same time, these interviews must not be taken as a correction of what was unsuccessful in the past. Then it was done in an inappropriate manner that could not function. "It simply was not a systematic, conceptual approach, and I would not want to see the new Army burdened by rash decisions and the lack of a conceptual approach."

#### \* First Government Bond Sale Announced

93CH0545D Prague HOSPODARSKE NOVINY in Czech 18 Mar 93 pp 1, 3

[Article by Drahoslav Zeman: "The Czech State Debt—Czech Republic Payoff Intentions and Efforts To Bring In a Balance Budget"]

[Text] *The sale of Czech Government bonds at a face value of 10,000 korunas [Kc] and Kc1 million starts today through the Bank of Commerce, the Investment Bank, the Czech Savings Institution, and Credit Suisse First Boston. This is the first time in modern history that the state has turned not only toward only legal entities but also toward its citizens in this country with an offer to sell bonds to cover the state debt.*

The Czech Republic entered the first year of its independent existence with a state debt amounting to approximately Kc200 billion. Experts from the Czech Ministry of Finance figure that this amount, which for the most part was inherited at a ratio of 2:1 from the former federation, includes Kc91.7 billion of internal debt, Kc71.3 billion of foreign debt, and Kc37 billion of foreign debt by the bank of issue, which can be considered as state debt.

The term "internal debt" can mean a lot—for example, the devastated natural environment in northern Bohemia—but financiers tend to include the obligations of the state with respect to the Czech National Bank (Kc58 billion), the Bank of Commerce (Kc17.6 billion), and the issues of state bonds (Kc16.1 billion). They include in the foreign debt government obligations with respect to foreign countries (Kc21.7 billion) and foreign obligations taken over from the Czechoslovak Bank of Commerce (Kc49.6 billion). In determining the magnitude of state indebtedness, consideration is even being given to

foreign debts incurred by the bank of issue (the stabilization loan made by the IMF and debts incurred on the basis of the issue of bonds by the former Czechoslovak State Bank), in which the state figures as guarantor. (For example, in terms of obligations to the IMF, the minister of finance guarantees the appropriate bills of exchange.)

#### The Cost of Debt Service

The magnitude of state indebtedness is, of course, an amount that cannot be overlooked, but, for practical purposes, the cost of debt service in a given year and the ability of the state to pay these expenditures are more important. Debt service includes, particularly, payments of debt securities, the payment of interest on debts, or, possibly, compensation for other related expenditures.

Expenditures for debt service of the Czech Republic in 1993 are expected to amount to Kc27.2 billion, according to what Eng. Eduard Janota, director of the Department of Budgeting for the Ministry of Finance of the Czech Republic, and Eng. Vladimir Srytr, head of the Department of State Financial Assets and Liabilities, told HOSPODARSKE NOVINY. How is this amount to be paid when it was clear that the state budget for 1993, which is making efforts to be balanced, does not completely cover it?

In the approved budget, Kc13.5 billion was set aside for debt service, primarily to pay interest on direct debts incurred by the state with the Czech National Bank, which acquired these debts by taking over government credits and compensating for the consequences of the devaluations and revaluations of 1990, which involved Czechoslovak banks. The budget uses Kc13.5 billion to cover even the Kc2.2 billion required to pay interest on government credits accepted from abroad. This involves the SAL [Structural Adjustment Loan] from the IBRD [International Bank for Reconstruction and Development] and loans from the European Community and G-24 countries. The security deposit for these loans will not be paid until 1997, in conjunction with those enterprises for which it was made.

After the budget contributed its billions, there was still a shortage of Kc13.7 billion. Part of the debt service for 1993 was successfully transferred to the Fund for National Property. That involves Kc6.5 billion to pay the security deposit and interest on obligations in free currencies, which the state took over from the Czechoslovak Bank of Commerce. It was agreed with the Czech National Bank to defer paying the security deposit for this year on direct debt in the amount of Kc4.3 billion. Currently, negotiations are under way between the Ministry of Finance of the Czech Republic and the Czech National Bank involving the schedule of repayment for additional years.

#### How Is the Budget Being Burdened?

Of the debt service expenditures, some Kc2.9 billion remain uncovered. This is the amount representing payments on state obligations to commercial banks

(including the Investment Bank for a loan in support of the Krivoy Rog project). For the time being, no decision has been made as to how this sum will be paid, but it will obviously have to be paid out of this year's budget over and above the intended framework.

Thus, a practical question arises as to the extent to which this year's state budget will be burdened by the paying off of debts. Budgetary revenues and expenditures are expected to be approximately Kč343 billion. If the budget pays for the previously mentioned Kč16.4 billion (13.5 plus 2.9), the debt burden will amount to 4.8 percent. Taken hypothetically, if all of the expenditures for debt service were to be paid from the budget alone this year, that Kč27.2 billion, it would "take" 8 percent of its expenditures. In comparison with Japan, where debt service in 1991 amounted to 22 percent, according to E. Janota, in terms of budgetary expenditures, this is not much. But it is impossible to overlook the fact that pressures for additional expenditures from the state budget are growing, with the estimated amount of revenues possibly being at considerable variance from the facts—in view that it is the first year in which the new taxation system is being introduced.

There also exists a certain possibility of revenues based on Czech claims abroad—that is, government claims and accounts receivable in nonconvertible currencies, taken over from the Czechoslovak Bank of Commerce, amounts that came into being predominantly during the pre-November period. In view of the very low quality of these claims, this is purely a theoretical possibility. The magnitude of payments for next year is not yet known accurately or estimated with any finality. However, because, for example, security deposits based on direct debts with the Czech National Bank are awaiting compensation, and because it is not known whether the Fund for National Property will again make a contribution, it can be anticipated that the pressure on the budget of the Czech Republic will increase substantially in comparison with this year.

#### \* Government Material Resources, Division Viewed

93CH0545B Prague HOSPODARSKE NOVINY in  
Czech 31 Mar 93 p 8

[Interview with Eng. Dusan Strauch, manager of the Administration of Government Material Reserves of the Czech Republic, and Eng. Jan Hynst, director of the Department of Economic Mobilization of the Ministry of Economics of the Czech Republic, by Drahoslav Zeman; place and date not given: "The Partially Removed Veil of Secrecy—Government Material Reserves Are Also a Part of the Economic Life of the Czech Republic"]

[Text] *In the past, information on government material reserves was kept strictly secret. Some details tend to remain confidential. With many others, it is time to partially remove the veil of secrecy. This was the topic of*

*an interview by HOSPODARSKE NOVINY with Eng. Dusan Strauch, the individual responsible for managing the Administration of Government Material Reserves of the Czech Republic [CR], and Eng. Jan Hynst, the director of the Department for Economic Mobilization of the Ministry of Economics of the CR.*

[Zeman] You are the creators of the law on the jurisdiction of the Administration of Government Material Reserves of the CR, which was approved in February and which is thus being newly established. This administration is responsible for, among other things, dividing the material reserves, which were hitherto administered by the federation between the CR and the Slovak Republic. How is this process going?

[Answer] Real property, which in our case primarily means individual warehousing bases, is understandably not being moved. The locations of the depots and the materials they specifically contain are being kept secret. However, these are standard surface depots in unimportant localities; they are located away from, for example, important industrial objectives, so they might not become targets of a potential air attack. Movable assets, which are actual reserves or inventories at depots, are subject to division at the customary ratio of two for one between the two republics. The current location of those assets is not uniform because no one had figured on the breakup of the common state and because other criteria governed the decisionmaking. Some materials exist only in Slovakia, others only in the CR. Nevertheless, there are more materials in the CR than the law prescribes in terms of the given ratio for division. The imbalance is the result of the previous military doctrine.

Many reserves were being warehoused on the basis of the so-called budgetary plan, which precisely specified requirements falling within the complicated system of economic functioning under terms of defense preparedness of the state and, moreover, as part of the Warsaw Pact. Nothing much has changed in the past three years because building new depots for the shifting of reserves is a very expensive matter. As of today, very little of this property has been divided with final validity because it has been agreed that any shifts will primarily occur when individual materials require replacement. In the meantime, however, preparatory work is ongoing and has to do with so-called material compensations, which should result in lowered expenses for both sides in terms of physical movement of commodities, accompanied by the least amount of disruption of any capability to fulfill the tasks for which these material reserves are intended in case of a crisis situation. Essentially, what is involved is a certain "natural exchange"—of course, keeping in mind the prices of the materials involved.

[Zeman] How would you characterize the existing collaboration with the Slovaks in this area? Have there not been some doubtful situations or some disputes, as is the case with other property?

[Answer] Cooperation with Slovakia is substantive and at a relatively solid level. So far, no doubtful situations have developed, even though it is impossible to exclude the fact that the contemplated division at various industrial levels might result in problems to be resolved at the intergovernmental level by a top commission for the division of property. One of the reasons can be the time delay resulting from the necessity to establish "from scratch" a Slovak administration for material reserves. Problems could arise if the possibilities for financing the division from the Slovak state budget were to deteriorate. If some Slovak materials are on Czech territory, the Slovaks pay for their handling.

[Zeman] Does this mean then that, in such a case, the Slovak side makes a payment to the CR Administration of Government Material Reserves?

[Answer] Not only to that administration, but it makes payments primarily to Czech organizations because our administration manages only approximately 40 percent of the inventories in its depots. The rest of the materials are covered by so-called protective agreements, which are concluded customarily with entrepreneurial entities—agreements governing the warehousing and the provision of certain "comprehensive care" involving government reserves.

[Zeman] How many employees does the CR Administration of Government Material Reserves employ?

[Answer] At headquarters, approximately 80. Apart from that, not quite 400 work at the above-mentioned depots all over the territory of the CR.

[Zeman] Can you tell us the value of the inventories that represent the CR's share?

[Answer] In acquisition prices, that amounts to approximately 26 billion korunas [Kč]. That breaks down into Kč20 billion in terms of material reserves and Kč6 billion in terms of mobilization reserves. It is difficult to state the actual market value of those items because any kind of calculation would be theoretical, and it is clearly not possible to permit such a large volume to realistically pass through the marketplace. In some cases, prices have risen sharply; in others, they have declined.

[Zeman] How is the materials exchange program progressing?

[Answer] In discussing the above-mentioned law in parliament, the delegates on the Economics Committee focused on that question because, in managing such property, there is an annual turnover worth several billions of korunas. The materials are changed as a result of purchases and sales. In the past, things were simpler for the former Administration of Government Material Reserves because sales and purchases were made at uniform wholesale prices stipulated by the pricing office.

Now, negotiations of price levels are brighter, the framework is provided by customary market prices for individual commodities, and prices for imported commodities are derived for the most part from appropriate world prices. That means that supplies are sold at higher prices than those at which they were originally acquired because, after the price liberalization at the beginning of 1991, the price level rose expressly. We are not concealing the fact that, in some cases, we must drop the price below the original acquisition price, particularly where the original wholesale price before 1990 was considerably different from world prices—in the case of mercury, for example. The same holds true for inventories that have been stored for, say, 10 to 15 years. In each case, however, purchases and sales are governed by the law on prices, and achieved prices and conditions are controlled internally by administration organs, the Ministry of Finance, the Ministry of State Control, and even by parliament, according to an adopted law.

[Zeman] You spoke of material and mobilization reserves. What is the difference between them?

[Answer] Material reserves are intended to support defense capability and defense of the state. They are intended to eliminate the consequences of crisis situations and to protect vital economic interests of the state. These are groups of relatively small numbers of goods, but in large volumes. They can be spoken of as universally usable strategic (macro) supplies. They include basic foodstuffs, nonferrous metals and ferroalloys, and input materials for the textile industry or the production of tires. The most problem-ridden and the most expensive components include raw meat, which must be frozen. In this case, the stockpiled quantities have declined to approximately 40 percent in comparison with the volume stockpiled in 1989. The material reserves are comprehensively managed by the administration.

Mobilization reserves are intended to support the essential requirements of the armed forces, manufacturing, and the population in defense readiness and other critical situations. These are typical "microeconomic" supplies specifically intended to be utilized at a specific location and by a precisely identified method. In terms of value, they account for 20 percent of the overall reserves. For the most part, these are specific products; to a lesser extent they are semifinished products; and, to a still lesser extent, they represent raw materials plus, for example, some technological installations and even design documentation and computer programs. The number of individual items exceeds 20,000. The method for their management is decentralized, and the directorate fulfills its tasks more as a record-keeping function and a control function.

[Zeman] Can you mention a few cases in which the reserves were utilized in the period following November 1989?

[Answer] For example, at the end of 1990, the material reserves were used to solve the crisis that beset motor fuels (before the price increases for gasoline that were accomplished at that time). Furthermore, the reserves were utilized in covering the increased requirement for nonferrous metals and textile raw materials during the same period. In Slovakia, at that time, they were used even to solve the shortage of sugar. Currently, we are seeing requests for assistance in connection with the low grain harvest.

[Zeman] In the CR 1993 Budget, the overall volume of anticipated expenditures for the administration is in the neighborhood of Kč1.8 billion. This is a considerable amount....

[Answer] The costs for managing the reserves, not so much for their rotation or the cost of the wages of employees, are not great. Moreover, thanks to the specific regulations for financing, it is possible to make use of part of their proceeds from their sale for the purpose of purchases and inventory rotation. The absolute majority of the expenditures results from the purchase of the most sensitive components—items that were in short supply in our inventories in comparison with developed nations; in other words, the cost of motor fuels primarily. In 1993, some new storage capacities will be completed for this purpose. It is a fact that our possible entry into the European Community and other group would be dependent upon having a sizable reserve of petroleum and petroleum products, comparable with those countries. Some countries—Sweden, for example—have emergency supplies to last them even for 120 to 150 days of average consumption, and they also have worked up an ingenious allocation system for that eventuality.

[Zeman] How many days would our reserve last?

[Answer] I consider that data to be confidential, but we can say that the amount has not been achieved by a long shot.

[Zeman] In conjunction with the current conservation measures in all areas and in view of the changed strategic situation following the breakup of the Soviet bloc and after the division of Czechoslovakia, the question arises as to whether the supplies that are being "held" are truly necessary in terms of their current assortment and quantity.

[Answer] Since November 1989, there has been one instance of more express reevaluation of the material reserves, but, for the time being, this has only been accomplished from the "negotiating table" because the system of economic mobilization as a whole has not been changed. The administration was only partially successful in realizing the stipulated limits of selling material reserves in view of the low purchase-capable demand on the part of the enterprise sphere and due to the well-known problems of insolvency. Fundamental changes cannot occur during the phase of drawing up crisis plans, which will actually mean a total reevaluation of mobilization tasks at the microlevel in individual

enterprises. This should give rise to demands by entities involved in economic mobilization for the central stockpiling and financing of reserves in excess of the framework of their individual possibilities and jurisdiction during the period outside of crisis situations. Moreover, it will be the task of the central organs of state administration to possibly increase those demands by some kind of macroeconomic "state interest" within the framework of its crisis planning. There it is necessary to figure in even the direct demands made by the Ministry of Defense.

After judging those demands, the administration will be compiling its proposal for a new composition of items involved in material reserves, which will be submitted for approval to the Government of the CR. In the subsequent period, we anticipate adapting the structure of the reserves to new demands, which will result in significantly higher demands being made on the administration's commercial activities. In view of the growth of the number of potential trading partners, broad use will be made of the system of public offerings and public demand that is known to exist in similar state organs in developed countries and that, to a considerable extent, would act to objectivize the entire process of reserve rotation.

[Zeman] Do you believe that the final requirements will be lower or greater than the current level of reserves allocated to the CR?

[Answer] The requirements or, rather, the demand for government-paid-for supplies will probably show a growing tendency. However, the multistage process of negotiation and the sober view, which is already supplemented by considerable knowledge from abroad, should act to prevent those efforts. Supplies will certainly be decreasing wherever they were intended to support the development of production on which the previous military doctrine relied. On the other hand, some items, particularly petroleum products, were undervalued; there we anticipate a trend toward further growth. However, it is necessary to recall that we will not be proceeding only along the road calling for the building of additional storage capacities, financed from state resources. A law on obligatory petroleum stockpiles and petroleum product stockpiling is already being prepared, which would be binding on all producers, importers, and distributors and would require them to maintain a certain portion of their supplies in a state of constant readiness for use in crisis situations. That principle will then be capable of expansion to even include supplies of other important raw materials and other commodities.

**\* Interest in Harvard Investment Funds Remains Strong**

93CH0545C Prague ZEMEDELSKE NOVINY in Czech 31 Mar 93 p 1

[Article by (SI): "They Have Bought a Part of the Economy"]

[Text] *Is the street mafia in our country a customary phenomenon? Dismissed StB [State Security] employees have ended up in the financial sphere; the Harvard Investment Fund is fulfilling its promises; our enterprises are not going bankrupt.*

*"They were blackmailing me for a long time—approximately a year. You may criticize me for giving in at all, but I considered it to be the customary blackmailing by the street mafia," the president of Harvard Capital and Consulting, Viktor Kozeny, told newspaper reporters yesterday in answer to a question as to how he was blackmailed. "Many people in this republic are in the same situation, but they never find the courage to put an end to the blackmail. I found that courage."*

In response to another question as to whether he employs former employees of the StB, V. Kozeny replied that he employs a total of 400 people. The overwhelming majority of them were hired at the time he urgently needed them so that none of these employees were subjected to lustrations. However, in the future, he intends to have them lustrated. "Many former employees of the StB and the *nomenklatura* cadres have found employment specifically in the financial sphere," added V. Kozeny.

As an entrepreneur, Kozeny is undoubtedly extraordinarily successful. During the course of coupon privatization, the Harvard Investment Fund acquired the securities of enterprises for which bankruptcy or insolvency were beyond consideration. They are 51 enterprises in the Czech Republic [CR] and the Slovak Republic [SR]. Those enterprises form the backbone of the CR and SR economies. Net property valued at 29 to 38 korunas [Kc] is allocated for each investment point. With respect to 38 of the enterprises, the Harvard Investment Fund owns more than 15 percent of the total number of shares involved.

At the time Kozeny was saying that, within a year and a day of a holder of investment coupons becoming a stockholder in the Harvard Investment Fund he would be entitled to 10 times his deposit amount—in other words, Kc10,350—many doubted where he would find the necessary financing. Yesterday, Kozeny stated that the offer to sell the securities alone would cover 50 percent of those promises. However, Harvard Investment Funds definitely has no intention of getting rid of those shares. In view of the fact that approximately 6.7 percent of the stockholders wish to sell their shares, those securities will be offered to interested buyers, of whom there are approximately 600 each day. This then results in a smooth balancing between supply and demand.

Yesterday, two holders of coupon booklets, who have entrusted their investment coupons to Harvard Investment Funds, were selected by lot and are now winners of Kc1 million. They are the owners of coupon booklets Nos. 012937481 and 034978285.

\* **Judges View Law on Bankruptcy, Settlement**  
93CH0545E Prague HOSPODARSKE NOVINY in  
Czech 1 Apr 93 p 7

[Interview by Vaclav Vopicka with Zdenek Stencl, doctor of jurisprudence, chairman of the Commercial Collegium of the Supreme Court of the Czech Republic; Jiri Macek, doctor of jurisprudence, chairman of the Senate of the Commercial Collegium; and Miroslav Jansa, doctor of jurisprudence, a judge of the Kraj Commercial Court in Prague; place and date not given: "It Is a Matter of Economics but Also One of Law—Considerations by Judges Based on the Amendment of the Law on Bankruptcies and Settlement"]

[Text] *The text of the amended Law No. 328/1991 Collection of Laws [Sb.] on bankruptcies and settlement lies on the table in the office of the Commercial Collegium of the Supreme Court of the Czech Republic [CR]. We are flipping through it and talking about how judges see its application in court practice. Responding jointly to our questions are the following: Zdenek Stencl, doctor of jurisprudence, chairman of the Commercial Collegium of the Supreme Court of the CR; Jiri Macek, doctor of jurisprudence, chairman of the Senate of the Commercial Collegium; and Miroslav Jansa, doctor of jurisprudence, a judge of the Kraj Commercial Court in Prague. According to the provisions of the Civil Court Code, kraj courts, and kraj commercial courts as courts of the first instance are discussing proposals for the declaration of bankruptcy. Appeals against the decisions by these courts are handled by the Supreme Court.*

[Vopicka] The final text of the amendment approved by the Chamber of Delegates last Thursday is not available to us at this moment, but, from our knowledge of the original law and the text proposed by the government, you will surely be able to judge what awaits the courts as a result of its application.

[Answer] Above all, it must be said that the law on bankruptcies and settlement sets about solving economic questions. The economic failure of a business entity is an economic phenomenon about which the court cannot make a decision but can only make use of legal instruments to organize settlement for debtors and creditors. However, the next phase involves entities that are insolvent and to which the law has not applied so far.

Both the original language of the law and the current amendment result in a complicated situation for the courts not only from the standpoint of making substantive judgments but also insofar as procedural and administrative actions are concerned. For example, just to mention something at random, the court must ascertain whether conditions for declaring bankruptcy have been met, it must appoint an administrator for the substance of the bankruptcy (the property to which bankruptcy applies), it must organize meetings of bankruptcy creditors and the creditor committee, and so forth. The activities of the courts here are far broader than is customary in normal civil legal cases. Additional similar

procedural actions are called for by the amendment to the law, say, merely involving the newly introduced institution of protective cooling-off periods.

[Vopicka] During this three-month protective period, debtors and creditors are supposed to find an extrajudicial method for settling their obligations; the protective cooling-off period will be granted by the court. What kind of procedure is set up for that?

[Answer] The amendment to the law not only contains a three-month protective cooling-off period, which has, for the time being, been the subject of most of the public discussion, but it also regulates several types of these time limits. And this general three-month cooling-off period can, upon proposal by the debtor and provided the creditor committee agrees, be extended by another three months. Moreover, legal entities registered in the listing of privatized enterprises may get a six-month cooling-off period, and there are other variations here as well. Furthermore, it must be noted that, if the debtor is an operator engaged in agricultural primary production, bankruptcy may not be declared in a period ranging from 1 April through 30 September of the current year. In the case of debtors who are independently operating farmers, bankruptcy may not be declared until the end of 1994, if they disagree with its declaration.

These variations already indicate that individual cases call for the courts to use approaches that are identical in some cases and different in others. However, first a proposal to proclaim bankruptcy must always be submitted; otherwise, the court cannot deal with the failure of the enterprise involved at all. As far as the granting of a cooling-off period is concerned, if a proposal for declaring bankruptcy was filed by a creditor or another individual, the debtor has 15 days from the day he receives the proposal to request that a cooling-off period be granted. If the proposal to declare bankruptcy was filed by the debtor himself, he can simultaneously, or, at the latest, within 15 days of the initiation of the proceeding, personally file for a grant of a cooling-off period. What is important here is the temporary provision called for in the amendment to the law, according to which it is possible, within 15 days of the effective date of the amendment, to file a proposal for a protective cooling-off period even in cases in which the bankruptcy proceedings were initiated prior to that effective date—provided, of course, bankruptcy has not already been declared. Understandably, this situation did not obtain in cases where the excessive indebtedness of the debtor was not determined as a result of last year's six-month extension of the protective period—that is, approximately by the end of this year.

As for the actual actions of the courts? They must primarily examine the modalities of the proposal to grant a cooling-off period, which also include data recorded in the Commercial Register. In the event these data and other prescribed data are not contained in the proposal, the court will not issue reminders to provide such data but will simply reject the proposal. However,

even if, for example, the registered data are contained in the proposal, the court must obviously verify it with the registry court. Toward this end, the law amendment should have contained language that would impose the duty to submit a copy or an extract from the enterprise register of the debtor along with the proposal. The court must make a decision on the proposal to grant a cooling-off period in a very brief period of 10 days.

[Vopicka] For enterprises set aside for privatization, a period of 15 days is also established, during which the debtor is obliged, upon the invitation of the court, to augment the listing of creditors and their claims and to submit a listing of his own real estate holdings. How do you see the chances of adherence to those deadlines by the court or the debtor?

[Answer] In the event the proposal for granting a cooling-off period is complete and data in the proposal are beyond question, it is possible to issue a decree granting this cooling-off period within 10 days and display it on the official court bulletin board to mark the start of the cooling-off period. However, if the court is not successful in verifying that the proposal contains the required modalities, the 10-day time limit will not be met. In the case of enterprises listed in the privatization rolls, the proposal that the court grant a cooling-off period can be submitted by the appropriate ministry, but the court must invite the debtor to submit a listing of creditors, their claims, and his real estate holdings. The debtor has 15 days in which to comply so that it is impossible to issue the decree granting a protective cooling-off period within 10 days of the receipt of the proposal but, rather, within 10 days of the time these listings are delivered. As can be seen, things will not be so simple regarding these time periods. We reemphasize, however, that the procedures used by the court will depend on the language of the law, as it will have been approved by the delegates and as it will be published in SBIRKA ZAKONU.

[Vopicka] The tactics sometimes used by participants in court proceedings also include an intention to let a certain time limit lapse. Is there not a danger that many a participant here will remain deliberately inactive to let the protective cooling-off period expire and let the court then continue its bankruptcy deliberations and proclaim bankruptcy?

[Answer] The amendment to the law stipulates that, during the protective cooling-off period, the debtor is, among other things, obliged to consistently strive to overcome his failure. Here, the passiveness of a debtor could really lead to expiration of the cooling-off period, something that could, in isolated cases and from the short-range point of view, be more advantageous for interested individuals or legal entities than "saving" the bankruptee within the framework of the protective cooling-off period. On the other hand, during the protective cooling-off period, creditors, with a few exceptions, cannot assert the satisfaction of their claims against the debtor on the basis of an actionable decision. One of the

original proposed clauses of the amendment kept possible inactivity on the part of the debtor during the cooling-off period in mind; according to this clause, the court was to have the opportunity, upon proposal by the committee of creditors, to terminate the protective cooling-off period in the event the debtor was not striving to overcome his business failures. In the final version, however, that possibility is not present.

However, these speculations are more in the realm of economic tactics involved in the strategy of business entities. Such "maneuvers" by participants in court proceedings cannot be examined and will not be examined by the court; the court will be bound purely by the language of the law.

[Vopicka] Let us return to the time limits and, in general, to the length of the proceedings on bankruptcy and settlement. As has been said, a condition for declaring bankruptcy is a correct proposal. But it is alleged that merely checking on whether that proposal fulfills the requirements of the law can take as long as six months. That could actually result in the protective cooling-off periods not being granted in the early cases until the end of the year.

[Answer] That is neither completely accurate nor complete. It is true that the Kraj Commercial Court in Prague has received approximately 90 proposals for declaration of bankruptcy during the period in which the law on bankruptcies and settlement was effective—from 1 October 1991. However, the number of proposals that were not defective can be counted on the fingers of one hand. The court has even reproduced a request form requesting that the modalities be augmented. In the event the addressee does not eliminate the defects within the stipulated time limit, the court halts the pertinent proceedings.

In the event of applications to grant a protective cooling-off period, the court will not examine whether the conditions for declaring bankruptcy have been fulfilled in accordance with the proposal that is either submitted simultaneously or has already been submitted to the court. Assuming that the proposal for granting a cooling-off period is submitted on a timely basis by an authorized individual and, if it contains the stipulated modalities, the court shall grant the protective cooling off period. If the opposite is true, the proposal will be rejected and the proceedings dealing with the proposal for declaration of bankruptcy will continue and will do so by a method stipulated by the original language of the law—in other words, without the existence of a formerly one-year (and, since October of last year, six-month) "protection period" for enterprises that do not show they have excessive debts.

[Vopicka] So that, as of the end of April, there will be nothing to prevent creditors from achieving early satisfaction of their claims against debtors, either by extrajudicial settlement within the cooling-off period or as a

result of bankruptcy proceedings or settlement proceedings—in the latter case, obviously at the cost of liquidation and clearance sale of indebted enterprises.

[Answer] If it were only so. Of course, we are thinking of satisfying claims rather than failures. However, we must differentiate between the individual phases of the entire process initiated by the submission of an application for declaration of bankruptcy and that terminates by satisfying creditor claims—if we disregard extrajudicial settlements during the cooling-off period. The first phase involves proceedings that are ongoing until the proclamation of bankruptcy. Here we recall that lengthy process of eliminating defects in these proposals and examining the conditions for the proclamation of bankruptcy. After issuing a decree declaring bankruptcy, there will follow the identification of the property essence of the debtor, creditor claims, and so forth, through bankruptcy administrators—that is, the administrators of the property of the debtor subject to bankruptcy, including the resolution of related disputes regarding the genuineness of the amount and the sequence of individual creditor claims, as well as disputes having to do with the substance of the bankruptcy. After converting the essence of the property to cash, the next phase involves issuing a so-called distribution decree—in other words, simply stated, a determination as to what anyone will receive from the proceeds of the sale of debtor property. Only after a distribution decree is fulfilled—in other words, after the bankruptcy substance is distributed among the creditors (which, of course, need not be to the full extent of their claims)—does the court issue a decree rescinding the state of bankruptcy. Therefore, it cannot be expected that all of these phases will occur over a period of six months. On the contrary, they could last even longer than today's proceedings, which, in some commercial disputes, last several years. Bankruptcy proceedings cannot be compared with such proceedings.

[Vopicka] However, the method and the duration of proceedings are also influenced by procedural regulations—the Civil Court Code and the court agenda. Those regulations are criticized for being overly complicated and not appropriate for commercial disputes or bankruptcy proceedings. Surely, even for that reason, the law on bankruptcies and settlement charges the Ministry of Justice with coming up with a special agenda, by independent decree, specifically designed for bankruptcy and settlement proceedings. Have these rules been issued?

[Answer] Despite the fact that the law specifically speaks of a decree on rules of procedure for this purpose, such a decree has not been issued. The CR Ministry of Justice Decree No. 476/1991 Sb., which implements certain provisions of the law on bankruptcy and settlement, stipulated that procedures applicable in bankruptcy proceedings are governed by rules of procedure applicable to okres and kraj courts. That provision was rescinded by Decree No. 37/1992 Sb. on rules of procedure for okres and kraj courts. This decree (in Provision No. 34) used two paragraphs merely to regulate the details of the regime involved in appointing administrators for bankruptcy substances; in

other words, the above-listed rules of procedure are otherwise applicable. However, the mere presentation of participants in oral proceedings, as is customarily prescribed for current civil disputes—let us say for divorce cases—can virtually last all day if tens of creditors are presented in a bankruptcy proceeding. Or: The amendment to the law about which we are speaking stipulates that members and alternate members of the creditor committee are entitled to the compensation of necessary expenses and an appropriate reward, the amount of which is to be determined by the court. The question is: What are the criteria, and how high are the amounts? After all, even such a decision by the court can be attacked and even result in deferring the legal power of the appropriate resolution. Additional procedural problems can be anticipated in the voting by creditors in settlement proceedings, and so forth. At first glance, this may appear to be a formal matter, but it could result in substantive problems with material-legal consequences.

[Vopicka] So the fact that the progress of bankruptcy or settlement proceedings could get hung up on procedural questions and the possibilities at the disposal of the courts cannot be excluded?

[Answer] In our opinion—we, of course, do not speak as the court administration but merely as individual judges—the courts are prepared to function under the conditions of the valid legal regulation and within the framework of their personnel, administrative, and technical possibilities. That is primarily true of the higher courts, where the situation is simpler. The main weight, however, rests upon the courts of the first instance. From the viewpoint of a judge in the first instance, it can be said that suitable organizational work and division of labor will result in the successful staffing of those proceedings with the required number of judges. However, difficulties could arise in the administrative and technical hinterland because there the proceedings before kraj courts will be more demanding. One can also not exclude any complications in some procedural questions, as has already been mentioned. Everything will, of course, depend on the quantity of proposals for the declaration of bankruptcy or for permitted settlement and on the quantity of proposals to grant a protective cooling-off period on which decisions will be necessary. Currently, it is not possible to estimate the number of such decisions realistically.

**\* German Minority Aspirations in Silesia  
Discussed**

93EP0224A Warsaw *POLITYKA* in Polish No 14,  
3 Apr 93 p 8

[Interview with Danuta Berlinska, commissioner for the German Minority under the Opole Voivode, by Adam Krzeminski; place and date not given: "Our Germans"]

[Text] [Krzeminski] Could you tell me from a sociologist's viewpoint what is happening in Opole Silesia, what is behind the mutual recriminations and suspicion?

[Berlinska] We are witnessing a deeper process, that of a search for identity by the Silesians. I think that, too, is how the memorial issue [tablets commemorating Wehrmacht soldiers of Silesian origin killed in World War II] and the question of the Nationale Offensive [German neo-Nazi party, whose emissaries in Silesia are trying to stir up the German minority] in Dziewkowice should be viewed. In the former case, it turns out that the Silesians are trying to separate themselves from Poles by proclaiming their Germanness. In the latter case, the Silesians are relatively unsusceptible to attempts to graft neo-Nazi ideas from Germany. Besides, when Silesia was a part of Germany, the Silesians preferred to vote for the Centrum, a moderate party, rather than for the Nazis. After the war, similarly, they were reluctant to join the PZPR, the Polish Communist Party.

[Krzeminski] You speak of Silesians rather than of Germans or the German minority.

[Berlinska] Sometimes I also say "Polish-speaking Germans." The Silesian population is of Slavic ethnic origin. To be sure, Silesia has had historical ties to Poland through the Piast dynasty, but, as early as the 14th century, it passed under Czech domination and, by the same token, became exposed to German influence.

[Krzeminski] And to German colonists. Hence that "blood mix."

[Berlinska] Let us leave blood in peace because German colonists also reached Krakow. Nowadays, it makes no sense to refer to tribal community or "pure blood." What matters, rather, is the historical evolution of a feeling of separate identity, and that is how the Silesians feel toward both Germans and Poles. This separate identity is reflected in the specific Silesian culture, of which the most notable determinant is the Silesian dialect, which reflects the sociohistory of that ethnic group. The Silesian dialect evolved over the centuries, in isolation from the Polish language and under the strong influence of the German language. As E. Szramek wrote, Silesians resemble boundary posts that bear the Polish emblem on one side and the German on the other, or boundary-straddling pear trees that bear fruit on both sides. That is why we meet people who say, "I is German Silesian cuz I dunno wannabe Polski." Or, "First of all, I am a Pole. Because Kashubians and the Poznan potato-eaters can

be Poles, I, too, can be a Pole first and a Silesian second, but not a German, contrary to the wishes of those who came here after the war."

[Krzeminski] This means that the present-day German minority is the same as the former Polish minority in this territory, does it not?

[Berlinska] If we consider a demographic map of the population that, in the 1910 census [when Silesia was part of Germany], reported Polish to be its mother tongue and compare it with the map I drew following the run-off election to the Senate, the areas in question practically overlap. Silesians as a bilingual population had the choice in 1945 of defining themselves as Germans and being deported or declaring themselves to be Polish and being vetted accordingly and allowed to stay on their land.

[Krzeminski] Was that dissimulation so that they could stay in their native land?

[Berlinska] No, it was a combination of a little pragmatism, a feeling, experienced by many Silesians, of separateness from Germans, and strong bonds with their native region that enabled that population to survive and endure. Some 200 years ago, Polish-speakers used to live as far west as Wroclaw, and earlier, even farther, to where they adjoined the Lusitians [a Slavic tribe]. However, the history of Silesia is the history of its Germanization, and so, with time, a growing number of people accepted German culture, and, nowadays, concentrations of the German minority exist only on the right bank of the Odra because they have been deported from the left bank.

[Krzeminski] Those who were left are *Wasserpolacken* [Water Poles], who turned out to be not what we had thought them to be.

[Berlinska] Polish propaganda used to mention insurrectionists, and so forth, but only 8 to 10 percent of the natives took part in the Silesian uprisings, and in equal proportions on both sides, at that. Outside combatants, whether the German Freikorps or the Polish volunteers, also fought on both sides. And, in the plebiscite of 1921, 350,000 of the Polish-speaking natives voted for Germany and 480,000 for Poland. In the period between the two world wars, only a few people dared to manifest pro-Polish stances in Opole Silesia, and their daring often verged on heroism.

[Krzeminski] Had it not been for World War II they would have become completely Germanized.

[Berlinska] They were on the road to that. They were impressed by German living standards and life-style. On the other hand, they viewed forced Germanization in Nazi times as an assault on their values, just as they similarly viewed forced Polonization afterward. To people who had been living in Czarnowans, its sudden renaming to Klosterbrueck in the 1930's seemed an assault on their identity. The same goes for people who

had lived in Kandrin after it was renamed Heydebreck, in Szczedrzyk after it was renamed Hitlersee, and so forth, and so forth.

[Krzeminski] Yet now they are going back to German names for Silesian localities. To Frauenfeld, not to Schewkowitz [how the Nazis renamed the village]. When did the war begin for the Silesians? In 1939, when they, too, were drafted?

[Berlinska] Yes, indeed, for them it began in 1945, when the front line reached Silesia. To be sure, their young men had to report for conscription, as always during a war. But the Silesian population began to experience the ravages of war only with the approach of the Soviet Army. It was an exceptionally cold January. First, German soldiers came, struck the doors with their rifle butts and ordered the occupants to flee because the Russkies were coming. Some fled while others stayed, in the belief that, inasmuch as they spoke Polish, the Russians would not touch them. The Germans nowadays have forgotten about that flight ahead of the advancing front line, when many people met their doom. As for the Russians, upon arriving, they committed arson, rape, murder, and robbery. That was the real war experienced by the Silesians, with girls being hidden in irrigation pipes or under culverts, where they froze to death, to protect them against rape. Afterwards, the Russians left and the Poles came. To Silesians, Poland was not something foreign.

[Krzeminski] How deep is the Lambinowice complex? Some Germans commonly compare that camp with Auschwitz, terming it the "Polish extermination camp."

[Berlinska] The Silesians have reason to feel wronged. Nearly all men of able-bodied age were interned and sent to labor camps after the Red Army came. The Polish authorities organized transit camps for the German population, which was to be deported, and Polish-speaking Silesians also happened to be placed in these camps. For Silesians, the war continued. The sign in front of the camp in Lambinowice was "Labor Camp." But, comparing Lambinowice with Auschwitz, demonstrates the lack of any moral standards. Lambinowice was not a mass extermination camp with transports routed directly to the gas chamber, according to some prepared "operational plan." It was a transit camp for people awaiting deportation. The problem is that the camp's commander was a young man who himself had survived Nazi camps and took revenge on the Germans up to and including murder and atrocities. It is estimated that some 1,500 to 6,000 people lost their lives in that camp owing to disease, hunger, and malnutrition. This is a black page in the annals of Polish-German history, and it has already been chronicled.

[Krzeminski] But how can it be that those "Polish-speaking Germans" or German Silesians do not link cause to effect and view the war exclusively through the

prism of their own experience? Why do they show so little empathy and understanding of that other, Polish side?

[Berlinska] The lack of empathy is due to the hermetic nature of that community. To understand how others feel, one has to perceive one's links to the others. Yet a local newspaper, *GAZETA GORNOSLASKA-OBERSCHLESSISCHE ZEITUNG*, has openly stated that there is nothing in common between Silesians and the Poles who settled here after the war because they differ in everything—in language, in customs, in traditions, in systems of value, in symbols. In a word, in culture.

[Krzeminski] Whence this kind of thinking?

[Berlinska] It is a reaction to the 45 years of Polish disregard of a separate Silesian identity, to the refusal to let them be different. By analogy, in the former Soviet Union, the propaganda had been that everyone was the same, that there was only one *Homo Sovieticus*, but democratization led to the resurgence of dozens of nationalities and ethnic groups. Ethnicity thus turned into an ideology and became an effective instrument in the struggle for group interests because, as D. Bell stated, it combines shared interests with an emotional bond. By emphasizing individual identity it serves to strengthen the identity of group members. The greater the cohesiveness of a group is, the stronger its feeling of being persecuted and discriminated against. Here in Opole, on a police station building, there is a bas-relief showing an emaciated man holding two bowls, with the German eagle pecking from one bowl and the Polish eagle from the other. It symbolizes the fate of Silesians.

[Krzeminski] What was the issue in the war of the memorial tablets?

[Berlinska] The Silesian population adopted many aspects of German culture as part of its acculturation with German neighbors and treated them as their own. It was here that, while still under Prussian occupation, the tradition of erecting memorials to members of the local community fallen in war arose. In 1945, in some villages, memorial tablets were buried or hidden in the barns because they were something native but undesirable in the Polish state since they glorified Prussian militarism. In 1989, there was an explosion of manifestations of indigenous attitudes and feelings. But was it worthwhile to acknowledge one's Silesianness when it was a thing that was condemned? Before the war, the German authorities treated the Silesians as second-class citizens, *Wasserpolacken*, saying that they should decide to become Germans. After the war, the Polish authorities said conversely, "Be Poles. You are now living in the dreamed-of motherland, with its own national emblem and symbols. So why do not you identify with all this?" But these were not dream symbols to everyone. Here the bard Mickiewicz was not a household word, and Kosciuszko was not a national hero to the broad masses. At the same time, the Silesians' own symbols were

prohibited. Nowadays, the memorial tablets are a testimony and a reminder of the ties to Germans as documented by jointly shed blood in World Wars I and II.

[Krzeminski] Germanness as a cryptonym for the renaissant Silesianness?

[Berlinska] Yes, as its important element. Silesianness means precisely a diversity of cultures, a mixture of Polish, German, and Moravian elements. In no totalitarian system is such cultural ambivalence tolerated. Hence, Germanness rapidly began to appeal to Silesians already when, on returning from the war, they disappeared into the clutches of the Polish Security Police, regardless of whether they fought in the Wehrmacht or for General Anders [the head of the Polish armed forces in the West during World War II].

[Krzeminski] But Poles returning from Siberia also disappeared.

[Berlinska] But that is a Polish problem that does not concern Silesians. To them, evil derives not from Stalinism or the communist regime but from Polishness. That is also how they view the current mess, the need to fill out an application in order to buy a tractor wheel, whereas, before the war, a salesman used to come, show brochures, collect orders payable after the harvest, and dispatch what was needed. Hence, the growth of a mythologized image of Germany, reinforced by relatives living in the FRG. Then, also, there are the humiliations. A Silesian would go to a government office and say something in his dialect, and the official would grumble that, after 40 years, he still had not learned Polish. Whereupon the Silesian would answer, "And you, after 40 years, still have not learned good management." Germany also exerted an attraction because it showed an interest in the Silesians.

[Krzeminski] And, in 1989, Poland viewed its Germans as "traitors" and a "fifth column."

[Berlinska] In Opole Silesia, 42 percent of the respondents feared that the German minority would become a "fifth column." In 1990, at electoral meetings, I heard people say, "Do not give even one mark to Poles because they will waste it." They also said, "Poland has been partitioned so many times that now it will not hold." In 1989, it mattered to Silesians that there was hyperinflation, and the zloty was rag-paper. That was the embodiment of the *Polnische Wirtschaft* [Polish economy] stereotype. Silesians gave relatively little support to the Solidarity movement, being rather passive, and only the movement of the German minority energized them.

[Krzeminski] Yet it was precisely Solidarity that supported the German minority.

[Berlinska] For a very brief period of time. What matters is that, thanks to the democracy accomplished by Solidarity, the Silesians were finally able to feel at home on their own land and to manifest their Germanness. A couple of times they tried to establish ties to German

societies. In 1984, the leaders were rapidly issued passports, and they left. Later, since 1988, when it became possible to travel to the FRG and back, emissaries of the Association of Expellees [*Bund der Vertriebenen*] began to arrive.

[Krzeminski] Like Father Robak in Lithuania [an allusion to a character in Mickiewicz's *Pan Tadeusz*, who is fomenting a rebellion in the rear of the Russian armies just before the Napoleonic invasion]

[Berlinska] ...and promote the pro-German spirit. So the Silesians supported the Association of Expellees because that organization came to them. No one asked it to come anyhow.

[Krzeminski] Have these expectations of the German miracle been fulfilled?

[Berlinska] No. When, in 1990, Kohl voiced some muddied comments about the Polish-German border, which were blown up by our press, the Silesians began to hope that if they showed how very German they were and how many of them existed, something would change. Hence, the high voter turnout for the by-elections to the Senate. Even tottering grandmothers were transported to the polling stations.

[Krzeminski] As they were years ago for the plebiscite.

[Berlinska] These by-elections following the death of Silesian Senator Edmund Osmanczyk are to a sociologist an important indicator of where major concentrations of Silesians are living. But disappointment soon set in. The German minority was, against its wishes, not allowed to participate in the Polish-German talks on the border treaty. It forgot that Upper Silesia is a border region in the sociocultural rather than geographical sense of the word.

[Krzeminski] The year 1990 was the apogee, was it not?

[Berlinska] Yes. It was the apogee of tensions and hopes. Never afterward were electoral meetings as emotionally charged as during the verbal duels between Henryk Kroll [leader of the German minority in Silesia] and Dorota Simonides. For, while Poles feared a "fifth column," the Silesians said that, thanks to the German minority, there would be law and order, investors would come from Germany, and home rule would set in. That attitude is due to the clash of three mentalities here in Opole Silesia: the natives (who have been living here for centuries), settlers from Central Poland, and Polish resettlers from Poland's eastern borderlands, after their annexation to Ukraine in 1945. The resettlers said that they had experienced four wars—in 1939, in 1941, then with the Ukrainians in 1943, and afterward again, there were the Russians in 1944, so that they finally had to abandon their native homes and the graves of their ancestors. The Silesians countered with plaints about the wrongs and persecution they had received from the resettlers.

[Krzeminski] Could Silesianness survive if a program in the Silesian dialect were to be offered on local TV, or is it too late for that?

[Berlinska] I believe it is not too late. In Poland, for Silesians, dialect is very important and remains the preferred medium of communication. On the other hand, Silesians living in Germany very rapidly abandon their dialect because they want to be assimilated into the German society as quickly as possible. One elderly woman told me how, after years, her son came from Germany to visit her and spoke to her in German, whereupon she "slapped his mug" and ordered him to speak in Polish because, she added, "I do not know how it is in Poland, but one does not forget one's *muttersprache* [mother tongue]."

[Krzeminski] What is the outlook?

[Berlinska] I do not believe in the "linguistic Germanization" of Silesia in the long run. And, if Germanization is to be reflected in economic rivalry as it once was in Wielkopolska, Poles should behave as they did in the Poznan region, when it was part of Prussia before World War I, and be more enterprising, more reliable, and more energetic. Besides, that is happening anyhow, and I am not claiming that is due to ideological reasons or fear of the German minority. Still, all in all, Poles are rather more enterprising than Silesians.

[Krzeminski] Are Silesians in contact with the sophisticated aspects of German culture?

[Berlinska] Little. Two German women from the FRG, who teach German in Opole Silesia, were quoted by POLITYKA as embarrassingly admitting that people who had attended German schools in the 1930's remembered something of German literary culture, whereas younger people cannot surmount the language barrier.

[Krzeminski] But they could be reading Guenther Grass or Lenz in Polish translation.

[Berlinska] The problem is that they have not even heard of these writers. In view of the relatively low educational level of that group and the practically negligible number of so-called humanist intelligentsia, it is difficult to find among them sophisticates providing cultural models of literature. In Silesia, as in the average Polish peasant or worker family, the habit of reading is missing, or there is too little time for reading.

[Krzeminski] What prospects then do you perceive for the minority?

[Berlinska] At present, the attraction of the German minority is declining as reflected in the low turnout of Silesians for the local-government and parliamentary elections (below 40 percent), even though they were able to elect their own representatives then: The 74,000 votes cast for German-minority candidates in Opole Voivodship really are not that many, considering that the Sociocultural Society of the German Minority has a membership of 180,000. In addition to the low interest

of Silesians in politics, there is the fact that, in 1992, 50 percent of the members of that society failed to pay their extremely low annual dues of 6,000 zlotys.

Lately, the German-language courses have ceased to be crowded, and sometimes the classrooms are empty. Many Silesians say that they will learn German on the spot after they travel to the FRG. Likewise, parents are now less insistent than expected about introducing instruction in the German language as a native language at elementary schools. When asked why parents are not signing such a petition, a radio reporter was given a pragmatic answer: "We do not speak German, and so we will not help the children. Why should they suffer?" Besides, the fact that the German minority is now represented in local governments and the parliament has caused the leaders of that movement to be less radical in their comments. Nowadays, emphasis is placed on the need to cooperate with Poles, to surmount negative stereotypes, and to build good-neighbor relations. Similarly, anti-Polish sentiments are less often being expressed publicly. Local self-governance has become a school of tolerance and development of a consensus in the interest of the entire community.

[Krzeminski] Considering what you said, the Polish nationalist parties, from the Confederation for an Independent Poland to the Christian-National Union to the Polish Peasant Party, should not get hysterical. On the other hand, it cannot be expected that the Silesians will open themselves up and become that "bridge" between Germany and Poland that is so often being mentioned.

[Berlinska] Some people say it would be better if the Silesians were to define themselves as Germans because, as long as they remain neither fish nor fowl, they may feel uncomfortable and become a focus of unrest like the Basques. If, on the other hand, they define themselves as Germans, they will be under the influence of German democratic political forces. This is not my own view; I am just passing it on. I personally believe that Silesianness—the opening to both Polish and German cultures—affords an opportunity for Silesians to become such a bridge.

[Krzeminski] Are there any indications that Silesia might turn into the Basque Country of the 1970's?

[Berlinska] I believe not, for the time being. To be sure, some leaders of, or, rather, spokesmen for, the minority movement are so disappointed by the passivity of its members that they have become radicalized. Example: GAZETA GORNOSLASKA published a report on the beating of some German youths in Opole, after they derisively commented that the Polish students for whom the Germans had paid admission to the restaurant did not come to their aid, whereas the assailants themselves had been so chivalrous that they did not beat up the young German girls present. Such a comment is just as base as stressing that Poles rejoice when Germans get beaten up. In general, the regional press does not promote the idea of social concord. It is much easier to

remain in the fetters of old stereotypes and biases. Still, Silesians and Poles have been living next to each other for 50 years. Despite the negative stereotypes, distance, and feelings of separateness, they are "assimilated aliens," familiar neighbors of whom it is known what to expect. So far, at the local community level, there were not and are not any clear signs of open conflict.

[Krzeminski] What role in all this is played by the "Father Robak" emissaries from Germany? For example, did the arrival of Herbert Hupka get an enthusiastic welcome?

[Berlinska] For some time now, the monopoly of the Association of Expellees on contacts with the German minority has ended, and, by the same token, the influence of the Landmannschaften [FRG associations of Germans from Silesia] has been curtailed. These days, the ideology of the movement is influenced to a greater extent by the policies of the German and, of course, Polish Governments. As for Hupka's welcome, when he arrived at a rally of Silesians on St. Anne's Mountain in 1991, it was not very enthusiastic. He had trouble getting admitted because the organizers did not want to let him in. When he finally succeeded in stepping onto the balcony, his escort, a TSKMN [Sociocultural Society of the German Minority] member, cried, "Hupka is with us!" The audience turned to look at him, and there was brief applause but no ovations. Following his brief and balanced speech, a small group attempted to fire up the mood by singing, "Hupka, Hupka!" But they did not meet with a big response, either. I was watching Hupka. He seemed dissatisfied with such a lack of respect. Later, I viewed, on our Polish Wroclaw TV, a broadcast of that event, put together so mendaciously as to make Hupka's entrance seem like a triumphal one. What happened is that the shouts of that small group were reproduced several times just as Hupka was entering the auditorium, so that it looked as if the audience was waiting for its leader. Similarly, in its broadcast on the neo-Nazis of Dziewkowice, TV showed pictures of demonstrations in Germany that led many people to believe those demonstrations were held in Opole.

[Krzeminski] Thank you for the interview.

[Berlinska] One more thing: The fear of "our Germans" derives from our weak concept of self-worth. Yet there is no German euphoria in Silesia. The Silesians should be left in peace. If they want to be Germans, let them, because the Germans, moreover, acknowledge and accept them as German. As people of a border region, the Silesians have the right to choose their nationality, and it is none of our business. After all, they, too, are at home on their own land.

#### \* Foreign Credit Extended With Many Restrictions

93EP0222B Warsaw ZYCIE WARSZAWY in Polish  
27-28 Mar 93 p 9

[Article by Jacek Brzeski: "Money: A Delicate, Capricious Good"]

[Text] The Central Planning Administration has prepared a report on Poland's use of foreign lines of credit. The lenders' demands are frequently too demanding for our investors.

The relation of loans taken to those potentially available is the best indicator of the degree Poland has made use of the loans offered. It shows we are taking advantage of one-third of the offers. Why is this happening?

Everyone associates loans with borrowing money. The loans that are offered to Poland are material. Seldom is there a transfer of cash to Polish banks. Usually, the lender defines precisely the kind of undertaking it is ready to help. The Polish side learns, for example, that equipment for sewage treatment must be bought for specific amounts—and that exclusively in the country providing the loan—or that the loan is marked for investment as part of Polish-Danish joint ventures.

The Western lenders make no secret that Poland remains for them a politically unstable country. They complain about the great variation in laws and regulations. Thus, the great number of security provisions in loan agreements. For the domestic investors, the need to combine a foreign loan with supplementary domestic loans, which remain expensive, remains a serious burden. Inadequate capital levels are the disease of our banks; these levels keep them from giving large supplementary loans. Further, they are not interested in servicing convertible-currency loans, on which they earn very low margins.

The lack of a guaranteeing institution is another important obstacle. The Ministry of Finance guarantees payments of loans and interest from the resources of the state budget at levels of 60 percent, at most. If a foreign lender demands full insurance, usually one cannot find a bank prepared to guarantee the remaining amount.

The Central Planning Administration reports that the majority of loans for Poland have been offered by the World Bank (\$2.608 billion), the German Government (\$1.561 billion), the French Government (\$652 million), and the Italian Government (\$468 million). We have made the greatest use of Italian loans (77 percent), of European Investment Bank loans (67.4 percent), of Spanish loans (61.2 percent), and of World Bank loans (50.2 percent). In general, we have not made any use of Danish, Canadian, Norwegian, and Korean loan offers.

#### \* Effects of U.S. Financial Help in Farming Sector

93EP0225C Warsaw RZECZPOSPOLITA in Polish  
(ECONOMY AND MARKET supplement)  
25 Mar 93 p I

[Article by Edmund Szot: "Money and Advice: U.S. Help for Polish Farming"]

[Text] "Your work is highly important to the success of the economic and political reforms undertaken by Poland," said Minister of Agriculture Gabriel Janowski

at a meeting with experts from the U.S. organizations helping to restructure Polish agriculture.

During the meeting, the effects of U.S. assistance were assessed, the foreign guests shared their observations of our agriculture, and hope was expressed for the continued and successful growth of Polish-U.S. cooperation in adapting the Polish food industry to the requirements of the market economy and in making Polish farming prosperous.

The United States had tried to assist Polish agriculture as far back as the 1970's. We partially paid for the then contracted grain loans by means of scientific research projects commissioned in Poland by U.S. agricultural institutions. In the early 1980's, the Fund for the Development of Polish Agriculture (FDPA) was established, and, six years later, in 1988, the U.S. Agency for International Development assigned US\$10 million for the Church Foundation and the Agricultural Water Supply Foundation. In 1989 and 1990, the United States offered Poland food donations, and 50 percent of the proceeds from their sale was assigned for the growth of the private sector in farming and for humanitarian deeds.

Of that amount, 105 billion zlotys [Z] were allocated to the Capital Fund, with the object of increasing the capital of cooperative-owned banks, and Z85 billion to the Polish-American Private Enterprise Fund. In addition, the Joint Commission for Humanitarian Assistance has so far spent Z97 billion on farming projects. Forty billion zlotys were assigned for implementing 33 technical assistance programs linked to obtaining an adjustment loan (US\$300 million) from the World Bank. Thirty billion zlotys were received by CARESBAC, an organization sponsoring the operations of agricultural companies, and Z40 billion by the Agricultural Water Supply Foundation.

Furthermore, proceeds from the sale of donated U.S. food are used to finance the implementation of four programs coordinated by the U.S. Department of Agriculture and the Ministry of Agriculture. They are programs for farming consultancy, economic research, the restructuring of agricultural sciences in Poland, and market information and standardization. The foreign-exchange funding of these programs is provided by the U.S. Agency for International Development.

"We have accomplished much," said Minister Janowski, "although less than we expected and at the expense of greater social cost. But we finished the most difficult tasks so that now the adaptive processes in agriculture are entering a new stage, as reflected in the closure of the price scissors. The period of the intensification and gradual reconstruction of farm output is beginning."

**\* German Assistance, Investments Described**  
*93EP0225D Warsaw RZECZPOSPOLITA in Polish  
(ECONOMY AND MARKET supplement)*  
26 Mar 93 p I

[Article by A.W.: "Small and Cautious: German Investments in Poland"]

[Text] The unclear nature of the privatization program in Poland, with the attendant prolonged negotiations and exorbitant social welfare demands, are but the most important obstacles to the influx of German capital into Poland. Despite such sharply worded complaints, the Konrad Adenauer Foundation, which organized a conference on economic cooperation between the two countries, made the tricky question "Investment in Poland—Why Not?" the topic of the conference.

The German visitors were greeted in the reception rooms of the Hotel Bristol by Prime Minister Hanna Suchocka. Stressing the huge importance of German support to reduce our debt and provide a stabilization fund, the Prime Minister stated that the possibilities for mutual cooperation are being utilized only fractionally. Considering that the two countries are neighbors, this cooperation should be much broader.

Yet in size of investments in Poland, the Germans are outdistanced by the United States, Italy, and Sweden. The aggregate worth of German capital investment in our country is estimated at approximately 400 million German marks. The 2,500 Polish-German companies account for barely 20 percent of all of the companies of the joint-venture type operating in our country.

Polish-German cooperation is developing relatively best in trade. According to Zbigniew Okonski, deputy minister for foreign economic cooperation, however, it is becoming increasingly slanted to the disadvantage of Poland. The German share of Polish foreign trade was about 30 percent last year, while the converse was barely 1.1 percent.

Barriers to the growth of this cooperation exist on both sides. The Germans point to the complicated ownership relations (problems with foreign purchases of Polish real estate). According to representatives of German business, making real estate available to companies for purchase will not be enough; it should also be available for sale to individual foreign nationals.

Hans-Peter Stihl, the chairman of the German Chamber of Industry and Commerce, enumerated the eight most important obstacles to German capital. In Stihl's opinion, Poland should introduce complete openness of privatization processes, clarify ownership relations, and reduce the risk that has to be accepted by foreign investors when they take over debt-laden plants and factories. In addition, worker councils and trade unions pose exorbitant demands for social-welfare benefits. Furthermore, the numbers of specialized managerial personnel in Poland are too few. The Germans also

complained about the problems at border-crossing points—the time-consuming customs clearances—and the absence of an infrastructure.

In our opinion, the Germans are too cautious. Minister Okonski offered the reminder that German banks still require higher interest rates (on average, 2-4 percent higher) for credits to be spent on investing in Poland. The Germans' frequent references to the absence of political stability are, in the opinion of our experts, much less weighty arguments. Despite that opinion, Chairman Stihl expressed his appreciation to the prime minister for declaring that, despite the failure of the government motion for the Mass Privatization Program, voted down by the Sejm, the Polish Government will not abandon the adopted reform policy.

The Polish side raised the problems of constraints and quotas as affecting mutual cooperation. When asked about the situation of the Polish construction enterprises operating on the German market under contracts for a specified task, Minister of Economy [as published] Dieter von Wuerzen [state secretary to the German Ministry for Economic Affairs] declared that the employment limits cannot be abolished for the time being in view of the high unemployment in Germany itself.

However, as Minister Okonski pointed out, the fact that the Polish side last year exceeded the employment limits in Germany clearly reflects a demand for manpower. In that context, questions were also asked about the possibilities for cooperation by Polish enterprises in investments on the territory of the former GDR and in the countries of the former Soviet Union. Von Wuerzen stressed that this is solely up to the enterprises themselves and to their offers.

#### \* Austrian Investors See Strong Growth Potential

93EP0222C Warsaw RYNKI ZAGRANICZNE in Polish No 37, 27 Mar 93 p 4

[Article by Michalina Kondej: "Poland From the Perspective of Vienna"]

[Text] Since 1989, Austrian investors have invested more outside of Austria than foreigners have invested in Austria. In 1992, Austrians invested more than 20 billion schillings [Sch] abroad (Sch15 billion in 1991); while citizens of other countries invested Sch8 billion in Austria. Austrian capital prefers the Central and Eastern regions of Europe.

The level of generality of the above data published by the Press Office of the Chancellor encourages closer examination of the statistics. From the Polish point of view, it hardly looks satisfying: Only about 400 Polish Austrian joint ventures as against 3,000 in Hungary or nearly 2,500 in the Czech Republic and Slovakia shows that the distribution of preference in Central Europe is fairly uneven.

The feeling of Poland being secondary not only in investment decisions by Austrian capital but also in Vienna's political strategy clearly must accompany our politicians. On the very first day of Prime Minister Hanna Suchocka's official visit to Austria, Chancellor Franz Vranitzky judged it appropriate to give assurances that he will make efforts to eliminate this kind of feeling. He also denied the frequently repeated statements that Austria is limiting its interest to former areas of influence in the Czech Republic, Slovakia, Hungary, and Slovenia, "leaving" Poland to Germany. Cooperation as part of the Central European Initiative is proof of Poland's presence in the Austrian view, in Vranitzky's opinion. Regardless of the actual or assumed options of the Austrian Government, the fact remains that the process of reform in Central and Eastern Europe is followed with great attention in Austria. Every symptom of political instability is examined from the point of view of Austria's security; in turn, symptoms of reform success are read as optimistic signs for domestic business activity. Wolfgang Schuessel, the economics minister, said that, for Austria, whether the shift to a market economy in the countries in this region will involve another round of crises is decisive. The Vienna Institute for Economic Studies (WIFO) cites statistics for the volume of Austrian foreign trade with the postcommunist countries as evidence of the benefits gained by local industry. Austria has had a positive balance of trade with the region on the order of Sch39 billion since 1989. Obviously, there is the other side of the coin: At times, competitive imports become a threat to local production.

#### Is a Second Marshall Plan Needed?

Given such strong connections between Vienna and Central and Eastern Europe, the numerous voices calling for increased efforts to help this region are not surprising. Such support could, in the opinion of Hans Hammer, the director general of GiroCredit, include financial markets and take advantage of Austrian know-how. On the other hand, the Austrian Bank has developed a bolder proposal, called the Marshall Plan East, that includes the direction of \$180 billion in help to the former CEMA countries and Yugoslavia by the OECD countries. Poland would receive \$12 billion of this sum. For now, international reaction to this plan is unknown.

One can foresee with great probability, however, that, in the current economic and political situation, the repetition of an operation similar to the postwar model is unlikely. Prime Minister Suchocka was well aware of that when she appealed, during her appearances in Vienna, not for financial or technical aid but for a greater degree of integration into the economic system of the West, opening those market more broadly to Polish products, the opportunity to participate in regional and trans-European projects. The isolation that the countries of Central and Eastern Europe are attempting in various ways and at a great cost to overcome cannot lead to the

division of the continent into areas of wealth and poverty. "The Iron Curtain should not be replaced by a velvet one," said Suchocka.

Even the most clever formulations, however, cannot replace the implications of the facts, especially in decisions concerning the economic sphere. The head of our government attempted at every opportunity to present the positive balances of the first three years of reform in Poland. One must admit that the strategy of "improving Poland's image" undertaken by the Polish Government has been fairly effective. In any case, the local press willingly took up the tone of approval for Polish efforts.

#### Investors Do Want To Take the Risk

Convincing partners from Austria that Polish economic policy is stable is not easy. There was a loud echo after the recent Sejm decision to take the licenses away from foreign casinos; Austrian business had a significant investment in them. Austrian taxpayers are also aware that the government decision to reduce the guaranteed Polish debt by 50 percent is costing them Sch2.8 billion annually. The not quite 8 million Austrians hold as much as 11 percent of our foreign debt. During the Vienna meetings, the Polish delegation officially gave assurances of a desire to service our debt at the levels agreed upon with the creditor countries.

Vienna still considers Poland a country with a high level of risk for investment. The rate for credit guarantees for undertakings in Poland is now 3 percent. In the second half of 1992, it was reduced from 4 percent as a result of Polish efforts, but that does not change the fact that the level for these payments is very high; by comparison in the Czech Republic and Slovakia, the rate is 1 percent.

Chancellor Vranitzky admitted that, given the improvement in the Polish economic situation, there is a need for a new approach to guarantees for Austrian firms exporting to and investing in Poland. Whether state guarantees will be awarded, however, depends primarily on "the quality of the proposals," according to the chancellor. Perhaps that can mean—but it does not have to mean—moving Poland to the group of countries with the lowest level of risk. For now, Austrian investments in Poland are still of a unilateral character. Construction firms are active; banks have moved in; industrial firms, however, have not shown a similar readiness. In all, Austrians have invested \$450 million in Poland, which makes them Poland's fifth-largest investor.

#### New Opportunities for Trade

Efforts to increase Austrian participation in the transformation of the Polish economy involve not only capital investment but also expanding trade. Premier Suchocka appealed for an opening of the markets of Western Europe, especially of Austria because that country restricts imports fairly seriously. Exporters in Poland have felt the effects of the so-called procedure of visas for invoices introduced in 1975 to protect local producers

against price competition from the then CEMA countries. Only at the beginning of 1993 was this anachronistic instrument replaced by so-called automatic licensing. It remains necessary, however, to get a visa for exports from Poland in the case of 57 goods, including 13 agricultural food products.

However, in the opinion of Dr. Rudolf Orisich, the trade officer of the Austrian Embassy in Poland, the unsatisfactory face of mutual trade for both sides last year depended on the signing of the agreement for Polish-EC association, which created much better conditions for trade with the countries of the Community. There was a clear slowing in the rate of Polish-Austrian trade, which had been growing steadily since 1989. Our exports to Austria in 1992 actually declined by 15.1 percent and imports by 2.1 percent. The decline of Polish exports was caused by reduced shipments of coal, coke, and food. An agreement on free trade between Poland and EFTA [European Free Trade Association], like the bilateral agreement for agricultural concessions, has now been signed, and, on the probable effective date—1 April 1993—there should be an improvement in access for Polish goods to the Austrian market. In spite of these perturbations, Austria remains for Poland an important economic partner; it is fourth among Poland's list of sources for imports and eighth for exports.

#### Toward the EC

An additional aspect of cooperation between the two countries is their prospective membership in the EC. In Poland's case, this goal is obviously further away since Austria began negotiations at the beginning of February 1993. Austrian membership in the EC will be the first actual implementation of the process of expanding the Community and can become an important example for Poland, the Czech Republic, Hungary, and Slovakia.

It remains for us to watch closely Austria's efforts on its way to the EC. The Austrian Government has developed a powerful promotional offensive directed, on the one hand, to the outside, with a view to presenting Austria as a mature, economically strong future member of the EC, and, on the other, to the inside, with a view to developing a positive attitude in its own citizens toward the idea of membership.

The results of recent public opinion surveys are disturbing for the helmsmen of Austrian politics. Surveys done in November 1992 showed that there are more opponents to integration with Europe (41 percent) than supporters (38 percent). This important signal inclined the authors of the promotional campaign to change tactics: It was decided that arguments of a macroeconomic nature—more rapid economic growth, a decline in inflation, increased employment—convince only a small group of society that thinks in categories of reasons of state. Statistics showing that the gross domestic product of Austria after six years of membership in the EC will be 3.6 percent higher than if Austria does not join the Community and that prices will be 5.2 percent

lower speak to the imaginations of the few. It was decided to address the information to particular social groups so that a teacher, a farmer, or a trader would know exactly what he is losing and gaining. The general problems associated with neutrality, agriculture, and transit shipments are considered particularly delicate points for negotiation.

#### **Economic Indicators Are the Best Argument**

Judging by the reception Prime Minister Hanna Suchocka received in Vienna (it significantly exceeded diplomatic courtesy), Polish-Austrian relations look as bright as possible. The chancellor, a decided social democrat and the most popular politician of his party (the SPD [Social Democratic Party]), has been neutral toward Poland until now, unlike Deputy Chancellor Erhard Busek, who has more than once shown exceptional friendliness toward Poland. Vranitzky is considered by Austrians a guarantee for an expansive system of social benefits from the state. He himself has publicly criticized the shock therapy used not only on the economy in Poland; he has said that its social costs are too great.

Whether the breakthrough in Austrian skepticism will be lasting depends in the end on many factors, including the domestic situation on the Polish political stage and on the condition of Poland's economy, in particular. The noticeable "quiver" of the economic indicators can be merely incidental. For example, in the opinion of Kazimierz Laski, director of the Austrian Institute for Comparative Economics (WIIW), it is still not clear whether the low point in business activity has been reached. The institute's experts admit that, among the postcommunist countries, Poland has the greatest chance of overcoming the recession. It is starting, however, from a very low level after several years of sharp decline. Along the way to "economic normality," there are still many dangers—for example, in an improving economy, the currently favorable trade balance can escape from control as a result of an import boom. There is no simple answer at present to all these questions. Economists at renowned institutes in Western Europe also do not know what is going to happen. We can only continue to believe that a good beginning has been made.

#### **\* Profitable Businesses Criticize Economic Policy**

*93EP0222A Warsaw ZYCIE WARSZAWY in Polish  
27-28 Mar 93 p 9*

[Article by Maciej Kledzik: "Troubles of the Rich: What the Richest Entrepreneurs Complain About"]

[Text] The richest have the fewest reasons to complain; they will make it to the first; they do not travel in crowded trollies and buses; they have their doctors and friendly politicians and members of parliament. But it happens that they, too, complain. About what?

For many of them, this past year was horrible in many respects. In their opinion, the country is governed by

amateurs who, instead of governing decently, are learning at others' expense and through their own errors. We are all, rich and poor, bearing the costs of this learning. Demand is declining; the market is shrinking; customers are going bankrupt; the rich are observing a real decline in sales, even by several dozen percent, and they think they are the ones who bear the greatest burden in a crisis.

But it is sufficient to look at them closely to see that this situation is mobilizing them to expand exports and to seek their fortunes abroad. Obviously, some are going bankrupt because such is the law of a free market, but not the richest. They are joining together; they are helping each other to form an economic lobby with the participation of politicians and members of parliament supporting their initiatives. In 1992, the richest were unable to settle several essential things for which they were fighting, and, without further ado, they brought these things along with them into this year.

The future of business, represented by 1.5 million private entrepreneurs, including several hundred really wealthy firms, appears as a battle with several ministries, especially the Ministry of Finance. The richest think the changes in the income tax adopted by the Sejm will cause more negative effects than in 1992. Further, the effect of inflation, which strikes the most industrious, was not included this year. The richest warn that the tax rate is not at all equivalent to the level of budget income. Moreover, this way not only will prove ineffective but also damaging to the economy.

What, then, is the future of Polish business? After a nervous, difficult 1992, it is finding partners abroad. For example, the firm Konspol in Nowy Sacz, which produces cured meat products from poultry, has found a Pole in the United States with whom it has formed a joint venture. The Pole contributed a building in Pennsylvania, while the Polish firm has contributed technology, organization, and training. The local government, after a visit to Nowy Sacz, has made it possible for the partnership to obtain a loan of \$15 million at 2 percent annually. The Pennsylvania Government is paying one-half of the salary of the recently hired employees because the partnership USA Konspol is contributing to a reduction in local unemployment. The previously unknown cured poultry meats are already being advertised in the United States as ecologically healthy food.

#### **\* U.S. Military Textile Product Firm To Open**

*93EP0025A Warsaw RZECZPOSPOLITA in Polish  
(ECONOMY AND MARKET supplement) 25 Mar 93  
p 1*

[Article by P.R.: "A Khaki-Colored Investment: Bullet-Proof Vests and Sleeping Bags"]

[Text] On 24 March, the deed of incorporation of Adelar International, Inc. was notarized in Czestochowa. That is a company that, for the time being, is owned entirely

by Greenbrier Industries, Inc. (U.S.-Israeli Eagle Group), a manufacturer of military textile products (garments and accessories).

The company's starting capital is 111 billion zlotys, and its owners intend to augment it through a public offering of 2.2 million shares of common stock, with a par value of 121 billion, with Greenbrier reserving for itself a controlling block of 51 percent of the shares. On the same day, Adelar, Inc. requested the Securities Commission to allow transactions in its shares on the Warsaw Stock Market, upon appending a prospectus prepared by the company's owner and chartered accountants from Arnold Hill. The stock issue will be handled by the Brokerage Department of the Silesian Bank.

Even if the Securities Commission disallows the request or the Ministry of Finance does not grant a tax-exempt period, Adelar will not withdraw from Poland, according to the assurances of Greenbrier's first vice president, Zvi Lerner, at a conference.

The principal reason the company is being established in Poland is the gradual closing of Greenbrier's German affiliate, owing to its rising production cost. A part of the U.S. and Israeli production will also be relocated to Czestochowa because the company's owners are satisfied with the quality and hope to be granted tax relief. The entire output of the company in Czestochowa will be exported. The company has already been operating for three years in Czestochowa and employs 150 persons. It wants to enlarge its personnel to 300-400.

The U.S.-Israeli group processes DuPont's Kevlar fabric into protective equipment for the military, the police, and antiterrorist squads; armored vests offering protection against shrapnel, bullets, and knife attacks; chemical-warfare clothing (overalls, masks); military clothing; tents; sleeping bags; foam products (also for automotive, medical, and electronic needs); systems for dry storage of ordnance (aircraft, tanks, cannon) without requiring the construction of hangars; and, recently—this being the fashion—military-style clothing for civilians.

The principal customers are the armies of NATO countries, the United States, and Israel, though the group's products are known on five continents. The company is not geared to selling its products in Poland because it understands that the state companies supplying the Polish military are experiencing problems and that the government, like everywhere else in the world, will place orders with them first rather than with private companies.

**\* Coal Industry Restructuring Meets Opposition**  
93EP0219C Warsaw *ZYCIE WARSZAWY* in Polish  
19 Mar 93 p 11

[Article by Wojciech Raducha: "The Bleaching of Coal: Proposed Changes in Coal Mining Meeting With Considerable Resistance"]

[Text] As adopted by the Economic Committee of the Council of Ministers (KERM), the program for restructuring coal mining has not met with acceptance from the mine work force. The Presidium of the NSZZ Solidarity National Mining Industry Commission claims that the program is too drastic.

KERM members had a choice of four variants, drafted by the ministry of industry, for improving the state of the mining industry. They chose the most radical version. Eleven mines are to be shut down, and a maximum number of miners will be laid off. This is to assure a reduction in the financial losses of mines.

The four variants proposed, in this order: acceptance of the current situation (continuation), slow restructuring, accelerated restructuring, and pro-export orientation. Should the continuation variant be chosen, by the end of 1993 the mining industry would lose more than 22 trillion zlotys [Z]. The variant presupposing higher exports (up to 25 million metric tons of coal annually) was relatively unrealistic, because the demand for coal is steadily dropping. The decision to choose the accelerated-restructuring variant was taken most likely in order to halt as soon as possible the disintegration of the mining industry. In the course of the two years of work on the program, the aggregate debt of coal mines reached Z14-18 trillion by the end of 1992. Only six mines performed well financially.

The program is to be implemented in three stages: in 1993, during 1994-1995, and from 1996 to 2000. In view of the lack of funds for restructuring, only the course of the first stage is known at present, since it will be financed with the mining industry's own funds plus Z2.5 trillion in budget subsidies. In the opinion of Minister Waclaw Niewiarowski, bringing about a situation in which coal mining would be profitable even before this year is over would require investing Z12.5 trillion.

Under the program in 1993 the new organizational structure of the mining industry is to be strengthened, the production of coal mining companies is to be adapted to market needs, coal prices are to be stabilized, and extraction costs are to be reduced. What does this mean in practice?

Eleven mines, including four in Walbrzych and three in Upper Silesia will be shut down. By year end four more mines will also be put in receivership. More than 40,000 mine employees will be laid off, and one-half of those will be retired. Extraction costs will increase by about 40 percent, as will the sale price of coal, which will cost Z595,000 a metric ton by the end of 1993.

As for the nature of the second stage of restructuring the mining industry, that will only be known in July.

**\* Statistics Provided for Warsaw Housing, Employment**

93EP0219B Warsaw *ZYCIE WARSZAWY* in Polish  
18 Mar 93 p III

[Article by Krystyna Lichacz: "Warsaw: The Figures Speak"]

[Text] According to the Warsaw Voivodship Statistical Office, output is rising, wages are fairly average, and prices are world prices and we can afford them less and less. Housing is for the most affluent families, and companies do not help employees solve this burning problem.

In January and February the aggregate output of Warsaw Voivodship was 33,427 billion zlotys [Z]. This included, among other products: 873629 [as published] megawatt hours of electrical energy, 63,000 metric tons of steel, 6,209 metric tons of wire and cable, and 1,386,000 computer chips. A total of 11,151 passenger cars and 2,339 tractors drove off assembly lines. Altogether, 63,143 television sets were assembled, pharmaceuticals worth Z589 billion were produced, and wood furniture worth Z106 billion was manufactured. A total of 4,242 metric tons of meat and 100,000 hectoliters of milk was processed. The output of bakery goods reached 10,000 metric tons. In addition, 1,802 metric tons of chocolate were produced and 23,000 hectoliters of beverages reached the market.

**Z3.5 Million**

The average monthly salary in February was Z3,327,000. Compared with January (Z3,066,000) it increased slightly. Higher than average salaries were paid to, among others, utility employees (Z5,273,000), retail personnel (Z3,663,000), transportation employees (Z3,447,000), and construction workers (Z3,360,000). In contrast, for example, communication workers were paid less than average—Z2,827,000 monthly.

**250,000 People Waiting for Telephone Installation**

In February income from this sector of the economy (as measured on a national scale) exceeded Z2.6 trillion. All the same, anyone can see how the postal or telecommunications service performs. To be sure, in that sector too a lot is changing. Mail seems to be delivered more promptly. The number of telephone subscribers is growing. In the fourth quarter of 1992 more than 12,500 telephones were installed in Warsaw Voivodship; in January 1993, 3,200; and in February, 4,336. But still some 250,000 persons are waiting for telephones of their own.

**Just Two Factory-Built Housing Units**

So far (this year) 975 dwelling units have been released for occupancy, chiefly in cities. Compared with a like period last year, this is still more than 20 percent less. The positive development is that the housing conditions of Warsovians are improving, provided that they can afford their own dwellings. The dwelling area of the average apartment was 82 square meters.

In Warsaw itself 676 families moved into new housing, mostly in Mokotow Borough (323), followed in the other boroughs by 144 in Praga South and as few as 56 in Wola and 33 in Zoliborz. The fewest new dwellings, barely 18, were in Ochota. As for suburban Warsaw towns, 70 dwellings were released for occupancy in Pruszkow, 45 in Marki, 23 in Otwock, 16 in Karczew, and 4 in Jozefow. In addition, 59 new dwellings were released for occupancy to tenants in the voivodship's villages.

As before, cooperatives and private investors built most of the new housing, with barely two dwellings being built by factories. Apartment buildings have not been erected yet; whatever housing is available is that recovered following the demise of the previous tenants.

In February the construction of 371 dwelling units was commenced.

**200,000 Metric Tons on Wheels**

Employment in transportation was nearly 24,000 persons. In February transportation companies earned Z772 billion for services rendered. Throughout Warsaw Voivodship freight is carried almost exclusively by truck. In February more than 200,000 metric tons of freight were thus carried.

At the same time, more than 2.1 million persons traveled on the various means of transportation. The air lines alone carried 78,000 passengers.

**Z100,000 [a Kilo] for Grapes**

In February, as statistical studies show, the prices of some goods, such as milk, dairy products, vegetables, and fruits, rose, while the prices of others, including meat and cured meats, dropped. Prices were highest in the nation's capital. Outside Warsaw cured pork or ham cost several hundred zlotys, or even a couple of thousand zlotys, less [per kilogram]. For thrifty shoppers it paid to even travel to Grodzisk Mazowiecki or Pruszkow.

In January and February sour cream and fatty farmer's cheese were in short supply in some cities of the voivodship.

Despite the rise in the exchange rate of the dollar and the higher customs duties, the prices of citrus fruits remained fairly stable. An exception is bunches of large grapes: In February we paid Z100,000 for 1 kilogram.

In January, and especially in February, the price levels were affected by the growing number of sales outlets, both retail and wholesale. In addition, merchants increasingly made it easier for shoppers by offering promotional prices and clearance sales.

In 1993 prices of services have been steadily rising. For example, at laundries two price increases have already been recorded: first by 15.8 percent and more recently by 13.7 percent.

**\* Meciar's Rise to Prominence Detailed**  
*93CH0517A Bratislava NOVE SLOVO BEZ  
RESPEKTU in Slovak 29 Mar 93 p 24*

[Article by Marian Lesko: "A Fellow Came Here..."]

[Text] The story of how Vladimir Meciar got into politics was written in February 1991—that is, still before the fratricidal fight in the VPN [Public Against Violence]—by Fedor Gal. A month before, when they began to accuse each other of lies and machinations, the then chief of the VPN described the then prime minister as a posttribune leader. He was said to pop up from a tiny village near Trencin, just at the moment when they were looking for a minister of the interior for the Slovak Republic. SR Deputy Prime Minister Vladimir Ondrus made a trip to the VPN Coordinating Center and announced: "A fellow came here, and he knew everything. He towered several heads over the other applicants for this position."

All right. Among the applicants for the post of interior minister, he was supremely the best. The question is: How did he come to be one of the applicants? Who gave him the opportunity? Several sources agree that his principal "protector" was the former okres secretary in Trencin, a personal friend of Dubcek's. He reportedly "held out" the opportunity to the former enterprise legal counsel. And Meciar grasped it firmly.

As early as April 1990, he occupied a very comfortable seventh place on the list of the most popular personalities. Ahead of him were Marian Calfa, Alexander Dubcek, Milan Cic, Miroslav Kusy, Rudolf Schuster, and Ladislav Kosta. A few TV shots and speeches in parliament and at meetings were enough to catapult him within three months from total anonymity to seventh place. But, even though he was only the seventh most popular, he was known to all who were even only passingly interested in politics. At a meeting Jan Budaj so unforgettably called "Let's tell the truth" and that he called after his private unsuccessful effort to gain the chair of the Slovak National Council, it was precisely Vladimir Meciar who came up with an extraordinarily effective speech. Among other things in it, he served notice on communists that, after the extensive presidential amnesty, the jails are empty....

By mid-May 1990, he was already fourth on the popularity list, after Dubcek, Calfa, and Cic. Thus, he joined the political top league and became a serious contender for the post of prime minister—because the then prime minister, Milan Cic, had to relinquish his post, for a very simple reason. If Marian Calfa was to become the federal prime minister, something Vaclav Havel insisted on at the time, another postcommunist could not remain in the same post in Slovakia. Because then people might ask: Good Lord, why have a revolution then? What good was the election if the state is run by the same people? So Vladimir Meciar, thanks to favorable circumstances, saw an opportunity he could not even have dreamed of half a year earlier. Not surprisingly, as we know from Fedor

Gal, he was a bit nervous. In the summer of 1990, after the election, when the government team was being assembled, the VPN chief received a call from the interior minister, saying that his nerves were shot because he did not know what would become of him (reportedly he already had his bags packed). When the coordinating center at Jiraskova, later Venturska Street, was looking for a suitable person for the prime minister post, it always returned to one name—Meciar. Forceful, diligent, efficient, informed. But, already then, Fedor Gal had the feeling that the candidate for prime ministership knew absolutely everything about him, only keeping the information in reserve "for later." Ultimately, he too joined Meciar's camp, presumably because the man had no alternative: "A transition from totality to democracy evidently cannot be accomplished without leaders of the Meciar type," Gal wrote in February 1991 and added immediately, as if with ominous premonition, "God protect us from a situation in which there is no one who can control and correct his actions."

Immediately after the election then, as is his custom—that is, without delay or procrastination—the freshly minted chairman of the Slovak Government began to put into effect the national "plank" of the VPN program. For wasn't it written in "Chance for Slovakia" that "the VPN is aiming toward full self-determination of the Slovak nation?" Truly it was so written. But not just that, also other things: "We understand Slovak statehood as the natural and inalienable right to attain all aspects of a modern European nation's sovereignty." The VPN program saw its embodiment in a common democratic federation with an equally sovereign Czech state. It expressly says there that the original, basic sovereignty is the sovereignty of each of the national republics—the federation's sovereignty is derived, delegated. Federal powers would be reduced to foreign policy, defense, and finances, and, for a transitional period, certain other "precisely agreed upon functions."

With the knowledge that he is about to fulfill the program of his movement, the Slovak prime minister initiated a meeting of three governments in Trencianske Teplice. The talks were extensive and, according to how he informed the VPN deputies, very successful because representatives of the Federal Government reportedly accepted the principle that all that will be left to federal power is what he will see fit. But what at the first glance seemed a situation with no problems began to be heavily complicated by Czech politicians and journalists, who had a hard time coming to terms with this new understanding of a federation. Indeed, even the person who delivered himself of an avalanche of statements about a genuine, authentic federation, President Vaclav Havel, said in September in the parliament, "I do not regard it as overly auspicious to anchor in the Constitutions the republics' right to leave the federation."

The situation began to show serious complications. Apart from the Czech-Slovak problems, the language law came to the fore. In Trnava, several people met who were not wholly satisfied with the VPN and challenged the

legitimacy of its leading bodies. In Prague, within the Civic Forum, Vaclav Klaus was gaining the upper hand, and, in the government, a dispute erupted between Meciar and Andras in which the prime minister demanded the interior minister's recall on grounds of incompetence even though he had been delegated by the KDH [Christian Democratic Movement], the VPN's coalition partner. At a time when the building once housing the chairman of the VPN Slovak Council for the first time sported the inscription "Gal is a fool," the popularity of the prime minister from the very same movement grew by leaps and bounds. So many people came to a meeting calling for Andras's dismissal that it was reminiscent of November 1989.

By now, only one person was ahead of Vladimir Meciar on the scale of popularity—Alexander Dubcek. And yet, in one cause, the prime minister went visibly against the current. The crowds in front of the Slovak National Council went on their knees, asking him to come to the balcony so they could humbly beseech him to support the Matica proposal—but he ignored the call of the masses and let them kneel. And not only that. In a pointed confrontational exchange, he met with Jozef Markus, who was then ailing, and talked with him in a rather aggressive fashion. Strangely enough, he got away with it, without a major dent in his popularity.

**\* Discrepancies in Meciar's Statements Noted**

93CH0523A Bratislava *PRAVDA* in Slovak 22 Mar 93  
p 1

[Commentary by Marian Lesko: "When the Head of the Government Lies"]

[Text] At noon on Friday, Milan Knazko told the newspapers that "the problem as such" will not end with recalling him but only be carried over into the decisions and actions of other people. At the time, probably not even he imagined how rapidly his prediction would be fulfilled.

That afternoon, Vladimir Meciar, in his regular interview on Slovak Radio, among other things strongly protested against the question by the editors of whether he will use the method of "either I or he" that he used against Knazko in other cases as well. "No such method was used even in that case, and your question is a deceptive one. Please do not do that to me again. I did not use such a method...." On Friday evening, Michal Kovac, in an interview for Slovak Television, described the reasons that he recalled the minister: "Vladimir Meciar warned me that, if the proposal to recall Milan Knazko was not approved, he himself would resign from office and would not accept my mandate to form a Slovak government. In my opinion, not to approve Prime Minister Meciar's proposal would have led to a permanent governmental crisis and, consequently, to a political crisis...."

The fact that the president expressly and fully contradicts the prime minister's words can only be explained in

one way, that Michal Kovac did not guess what the prime minister was saying or what he was capable of saying. The president's understandable attempt to explain to people in what situation and under what conditions he had reached his decision had the unexpected side effect that the public was, at the same time, informed that the prime minister, shortly before, had departed from the truth in one essential point. Moreover, he did that in an interview in which, from his mouth, from the mouth of Vladimir Meciar, came the sentence, "If the head of the government lies, he cannot be the head of the government."

Not only the political opponents of the Slovak prime minister but also his former close coworkers, from Gal and Kucerak through Filkus and Knazko, say that Meciar's statements do not all correspond to the facts. We have already been able to get used to such voices. It has an unusual effect when the president himself, certainly without wanting to, joins in with them. But perhaps we will still get used to it because, after all, he has been president for only a short time.

**\* Moravcik Sees Few Changes in Foreign Policy**

93CH0523B Bratislava *PRAVDA* in Slovak 20 Mar 93  
pp 1-2

[Interview with Jozef Moravcik, foreign affairs minister of the Slovak Republic, by Leopold Moravcik on 19 March; place of interview not given: "Priorities Remain Unchanged"]

[Text] Yesterday, shortly after the new SR [Slovak Republic] foreign affairs minister, Jozef Moravcik, placed the oath prescribed by the Constitution in the hands of the president of the Republic, Michal Kovac, he provided an interview to our newspaper.

[Leopold Moravcik] Mr. Minister, a short while ago you took your seat at the head of the department the prime minister called the one in the entire government with the most problems. Which measures do you consider the most pressing in your new area of work?

[Jozef Moravcik] Drawing on my previous experience, it is necessary to build a reliable information system so that we can utilize the extensive diplomatic network we have on practically all of the continents. That is the first item I consider to be very pressing. Another very desirable matter is for us to improve the cooperation with the other departments of the government. Foreign policy should be effected in very close cooperation with the other departments, as well, because our minister can indeed create a certain diplomatic basis, but the effective content must be provided by the individual departments. It will also be very important to clarify the relationship between the ministry and the SR Government Office and to ensure and create a good functional mechanism for relations between the MZV [Foreign Affairs Ministry] and the policies the prime minister and the president are carrying out abroad. There are also

immediate tasks, what I would call operational ones, that concern the functioning of the department as such.

As far as other measures are concerned, I will need several days in order to find out what shape the department is in because my direct contacts with it stopped three months ago.

[Leopold Moravcik] The public will certainly follow your first steps and decisions with interest. What priorities have you set for foreign policy in the immediate future?

[Jozef Moravcik] The priorities in foreign policy will not change because, as I have said before, a change in the person of the minister cannot mean a change in the orientation of the foreign policy. From the standpoint of my current information, it will be necessary to concentrate mainly on the immediate problems—that is, particularly on the question of our relations with Hungary, specifically those problem spots we feel we have in our relationships with our closest neighboring country. The most pressing of those is the question of Gabcikovo. Another, equally important problem will be to try to resolve certain questions left hanging that remain in our relationships with the Czech Republic, especially from the standpoint of close cooperation in Central Europe, with the goal of ensuring the stability of that region. It will be necessary to proceed in a very effective manner in the discussions with the European Community, to complete in particular the talks on the associates agreement, and to take other important steps concerning integration into the other European structures.

[Leopold Moravcik] Lately there has been a lot of talk—and one must add that it is not of the best—about the image of Slovakia abroad. What “cosmetic treatments” will you be prescribing in order to improve the image?

[Jozef Moravcik] The question of Slovakia's image is influenced to a considerable degree by our internal situation. To create a better image for our countries abroad, it is primarily necessary to achieve economic stability here at home. To achieve economic stability, political stability must be established. After all, overall stability is a very important prerequisite for any kind of attempts in this region. Besides that, we will in a short time have to prepare well for a whole series of steps in the diplomatic field in order to exploit certain positive lines of domestic development in foreign activities, as well.

[Leopold Moravcik] According to what you have said, an extraordinarily busy period awaits you. Does that mean that you will immediately go to work, or do you still have time over the weekend to celebrate your name day and your birthday?

[Jozef Moravcik] I believe that psychological preparation and psychic relaxation are very important for effective work. Certain circumstances and occasions that provide them are, from that standpoint, very important, so I try to include them somehow. However, I will not

have much time to celebrate because I have to get ready for a trip to Budapest, where a meeting of foreign affairs ministers is taking place on Monday and Tuesday as part of a Central European initiative. Our policy in this area should be oriented, as it has been up until now, in a pragmatic direction, in the support of projects in the economic sphere.

\* **Slovak Minority in Czech Republic Organizes**  
93CH0508B Prague LIDOVE NOVINY in Slovak  
23 Mar 93 p 12

[Commentary by Vladimir Skalicky, a member of the presidium of the Community of Slovaks: “A Slovak Minority Exists”]

[Text] It was with interest and, I must say, amazement that I read in the 11 March 1993 issue of LN [LIDOVE NOVINY] the article by Messrs. Ladislav Groch and Ladislav Pivnik, “The Minority Is Not Oppressed.” By way of clarification, it concerns the minority Slovak nationality in the CR [Czech Republic]. I naturally agree with the idea in the title that there is no oppression of them currently, at a time of its being constituted and institutionalized. Moreover, believing in the democratic nature of the CR and feeling the cultural closeness of the Czechs and the Slovaks, I predict that there will not be any. That means that they will afford the Slovak minority their rights as appropriate to them according to the international conventions, rights that all developed democracies guarantee to their minorities. Even the SR [Slovak Republic] allocates 150 million korunas annually for the needs of its national minorities. Constituting minorities does not mean their separation out of society, only the realization of their natural national and cultural needs. I do not doubt that the majority of the CR's citizens understand this in the same way.

The authors of the article cited above, however, doubt the very existence of this 350,000-person minority when they write about the Slovaks in that region: “It is hard to speak of them as a national minority; after all, they have melted in with the Czech environment, the majority live in mixed marriages, they speak mostly Czech, they send their children to Czech schools, and they have their homes here.” All this is also true, however, of the Hungarians in Slovakia, or of the Slovaks in Canada. It is natural that the Slovaks in the Czech lands speak the official language of the state in which they live; it is obvious that they have to send their children to Czech schools because there is only a single Slovak school in the CR. The civil society does not mean that there are not citizens of various nationalities who feel a natural and entirely simple need to converse with their countrymen, to hear their language over the radio, or to dance in folklore groups. And it was just that that led to the creation of the Community of Slovaks and other initiatives that were started here for the same reasons—or at least I hope so.

The authors of the article cited above criticize the congress of the Community of Slovaks, in which they did not participate, and its officials, whom they do not know. Excuse me, gentlemen, but I would not dare to write about you that you are this way or that, this kind of person or another.... Why do you call me a "protector" in quotation marks and state that the congress demonstrated who I am? That does not refer to me personally, obviously, but to all of the "self-appointed leaders" of the Community of Slovaks. Both authors also try to force us into a confrontational course, arguing that by means of the brief news article in RUDE PRAVO on 13 February 1993 titled "The Community of Slovaks Feels Itself Discriminated Against." The view in the headline was created by the editor who wrote it, however, because those words were never used at the congress, and it moreover concerns only a single specific event, the rejection by the CR Ministry of Health of a place to hold the congress a few hours before it was to begin.

I want to emphasize that the Community of Slovaks is an apolitical—and I underscore that—association of Slovaks who are permanently or temporarily living in the CR that draws upon the best traditions of Czechoslovak mutual relations and the Slovak federal activities in the Czech lands. The peaceful life of the Slovaks in the CR that Messrs. Groch and Pivnik fear is obviously their primary goal. We will work cooperatively with anyone who wants to contribute in any way to meeting the national, cultural, and social needs of the local Slovaks and to improved understanding between the Slovak minority and the remaining population of the CR. Do you want to, sir?

\* Defeated ODU Chairman on Consequences of Loss  
93CH0508A *Prague LIDOVE NOVINY* in Slovak  
23 Mar 93 p 12

[Commentary by Martin Porubjak: "A Victorious Loss in Slovakia"]

[Text] For openers, I would like to underscore, quoting Vaclav Klaus in the article "The ODS [Civic Democratic Party] in Slovakia" (LN [LIDOVE NOVINY] 2 March 1993), that I am included as "part of the elitist view of the world of those people who pass themselves off as democrats and who are very unhappy to see their own lack of success." I consider the 1992 elections in Slovakia as my failure also and, likewise, the failure of the ODU [Civic Democratic Union] and all pro-Czechoslovak forces. I drew some conclusions from this, I left political life, and today the ODU no longer exists. Finally, Czechoslovakia itself does not exist, either.

But that does not prevent me, even recognizing the share of blame that falls to the defeated for what we are living through today, from assigning part of the blame for the current situation to the winners. When Vaclav Klaus speaks in the cited article about his "deepest federalist or, if you wish, Czechoslovak view of the world," he should admit that, on that point, he also lost.

The question is simply whether, on that point, he wanted to lose. And whether today he does not consider that loss, together with the ODS, a victory.

Several days after last year's elections, I met with one of the most important Austrian politicians. He admitted to me that he had never believed in the breakup of Czechoslovakia and had considered the separatist tendency as the manifestation of unimportant fringe groups that would hardly take on any greater influence or weight. The first time he considered there to be a real possibility of Czechoslovakia's breaking up was in December 1991, right after a meeting with Vaclav Klaus. Klaus assured him that there was the greatest probability that the HZDS [Movement for a Democratic Slovakia] would convincingly win the elections in Slovakia (and the ODS the elections in the CR [Czech Republic]), that it would not be possible to reach an agreement with Vladimir Meciar on further coexistence, and that Czechoslovakia would rapidly break up. Klaus put forth rational arguments for that predicted development and likewise surprised his Austrian colleague by the high level of preparedness that had been "worked up" by the ODS for such a development.

The forcefulness and speed with which the ODS and the HZDS conducted mutual discussions after the elections aimed at the breakup of the joint state convinced the Austrian politician that the predictions of December 1991 from the mouth of the deputy chairman of the federation at that time were not just theoretical considerations.

The inability of the democratic conservative forces in Slovakia to create an effective preelection coalition, the failure of the contacts of the Czech and Slovak parties with related programs, and personal aversions also most probably contributed. For example, when I warned at the ODS congress in Plzen on 22 November 1991 of the frightening nationalism that is sweeping across Europe and that not even Slovakia would avoid, no one paid any attention. However, what most of the participants at the congress did pay attention to and what caused the ODS chairman, Vaclav Klaus, to direct angry criticism at me was the detail that, in that speech at the congress, I quoted some of Jan Urban's words on nationalism. After the agreement between the ODU-VPN [Public Against Violence] and the ODA [Civic Democratic Alliance] was reached, and after the obviously unhappy intention of that political pair to operate jointly in the CR, there followed the deliberate business of founding the ODS in Slovakia. At the discussion on a treaty between the CR and the SR [Slovak Republic] in Milovice, the attitudes of the ODU-VPN and the ODA each time got further apart and culminated in the Kalvodovy confrontational positions that torpedoed any further cooperation by the ODU-VPN and the ODA.

There were thus more than enough mistakes made on both sides of the proreform democratic forces, in the Czech lands and in Slovakia, as well. However, one thing is noteworthy and that is how rapidly the Czech and the Slovak victors in the elections, with their diametrically differing programs, reached agreement and how today they shift the blame (or the credit) for the breakup to each other. And all of those nice preconceptions from before the new year as to the model of cooperation and the amicable divorce are beginning to be transformed into a trade war and closely guarded borders.

**Federal**

**Roundup of Firms' Activities—29 Mar**

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[Text]

**JUGOSLOVENSKA-SVAJCARSKA BANKA: GOOD STATEMENT FOR LAST YEAR**

Jugoslovenska-Svarjcarska Banka [Yugoslav-Swiss Bank], which was established mostly with hard-currency capital (84 percent), ended last year as a high-profit institution. The profit rate was 272.7 percent, thanks to considerably larger revenues than expenditures. Revenues were 3.5 billion dinars, and expenditures 1.2 billion.

The bank used revenues mainly to cover revaluation of capital (755 million). This was achieved to a lesser extent by increasing fixed capital (55.3 million).

Mr. Marinko Milovic, the bank's president, specifically points out that the successful business performance was aided by (net) positive exchange-rate differences (1.5 billion) that occurred (in part) under the influence of several devaluations in the course of last year. There were also positive margins (731.5 million) in revenues on loans granted and received. It is of interest that regulations have not been allowing revaluation of foreign exchange contributions to the bank's capital (\$2.1 million). Had regulations been followed, foreign exchange capital would have amounted to only 41 million dinars, not the 1.6 billion which was the actual value in mid-November of last year.

Another interesting feature points up the lack of logic in the representation of the foreign exchange balance sheet: If the calculation were made according to regulations, the bank's authorized capital might be represented as \$4 million, not the \$2.3 million which is the actual value, because the dinar is overvalued. The third issue of shares, amounting to 440 million dinars, was more difficult to sell, and the bank's board of directors adopted measures in lending policy and interest rate policy. After that, the entire amount of the issue was subscribed, and payments even exceeded it by 60 million dinars.

In spite of all the general difficulties plaguing banking, the bank's liquidity, however, has not been in jeopardy for a moment. In the course of last year, the bank never once called on its legal reserves. At the same time, the higher demands of founders and other stockholders (customers) for additional liquidity required the bank to increase its borrowed short-term funds by 1.1 billion dinars.

Liquidity was affected by the freezing of foreign exchange accounts abroad, by the blocking of the settlement process and by the halting of all loan-guarantee transactions. Before the sanctions and blockade were imposed, payments and collections of Jugoslovenska-Svajcarska Banka went through the Union Bank of Switzerland. About \$227 million have remained blocked in that bank. Aside from that bank, the bank has accounts in 10 other foreign banks.

Last year, the bank made total payments abroad in the amount of \$6.1 million: \$3.8 million under special arrangements, \$2.8 million from regular accounts, and \$71,100 from a special account.

Jugoslovenska-Svajcarska Banka granted four foreign exchange loans in the total amount of \$2 million, of which \$394 million [as published] have been repaid, while outstanding loans amount to \$1.6 million. In addition, performance bonds and payable guarantees were issued in the amount of \$3.8 million, of which \$503,600 have been repaid.

The bank's foreign exchange revenues from interest amount to \$119,500: \$64,500 on foreign exchange loans, \$20,000 from special arrangements, \$19,200 from commissions for guarantees, and \$15.7 million from time deposits.

At the beginning of the year, Jugoslovenska-Svajcarska Banka joined Kapital Banka [Capital Bank] and Trgovacka Banka [Trade Bank] in opening an office in Moscow. At the same time, operation in Banjaluka was shut down (while the form of business operation through a representative was retained), and the business unit in Sarajevo was not opened. The project of expanding the bank's business over a broader area (Podgorica, Skopje, Novi Sad) was also suspended.

As for business with the public, late last year the bank opened offices with modern equipment. Here, it does not abide by the volume principle in its savings operations, but concentrates on exclusive savings with special conditions and terms and for particular purposes. Clients may be shareholders or purchasers of treasury bills and commercial paper.

**PRO ADING—BELGRADE: A SUCCESSFUL FIRST YEAR**

The joint venture Pro Ading is the largest supplier of the Yugoslav market with chemicals intended for the construction industry. "The palette of building materials we offer is large, the products are high-quality, and delivery is prompt. We are always ready to deliver the needed quantities of additives for concretes and mortars (14 types), mastics (seven), putties (seven), epoxy resins (10), materials for protection against corrosion (four), special materials for industrial floors (five), adhesives and fillers (nine), materials for protection against fire (five), silicone coatings (two), compounds for repairs (three), and no fewer than 12 types of so-called "utility compounds," which include a wide variety of coatings for all types of

siding, compounds for cleaning dirty surfaces, and various fillers. We always have all these building materials in stock, and when it comes to large quantities, we obtain them in the shortest time," says Nebojsa Vuckovic, director.

Pro Ading is a young firm, it has been in existence only eight to nine months, and it arose from a representative office of Ading in Skoplje, which had done business in Belgrade for several decades. Following the disintegration of Yugoslavia and establishment of independent Macedonia, a solution was found in forming a joint venture.

"In addition to the marketing of building materials, we also do complete engineering, above all when old structures are undergoing reconstruction and restoration. We have a work force of seven, but we always have several dozen people who are not on staff, depending on the work contracted for. We were successful last year, if a profit of several million dinars can be referred to that way. Ading, incidentally, is a well-known German firm, one of the best in Europe for chemical materials for the construction industry; two decades ago, it set up a plant in Macedonia with a work force of about 200. In the FRY, no firm making building materials has what we offer in diversity or quality; as a matter of fact, most additives, putties, epoxy resins, and protectants are not manufactured in our country at all," Director Vuckovic says.

Formerly the Ading representative office, and now the joint venture Pro Ading, has developed good cooperation with large construction firms in Belgrade and Serbia, but it is equally a supplier of private businessmen, so that not a single construction site can be imagined without Pro Ading and the broad palette of its products.

#### **JUGOSLOVENSKA BANKA—BELGRADE: LIQUIDITY UNDER DIFFICULT CONDITIONS**

In 1992, Jugoslovenska Banka conducted its business under difficult conditions, beginning with the country's disintegration, by way of halted exports, to the high rate of inflation and total isolation. Sources of funds and lendings in business transactions with Slovenia, Croatia, Macedonia, and Bosnia and Herzegovina have been transferred to the bank's off-balance records. Under such unfavorable conditions the bank set itself the objective of consolidating its business operation, so that it ended the 1992 business year with a positive financial result, remained liquid in its transactions throughout the entire year, and promptly met its obligations. Thus, ASNA, a bank in the form of a joint stock company in which Jugoslovenska Banka is the majority investor, began operation in February 1992. In March 1992, Garant, an insurance company that is a joint stock company in which Jugoslovenska Banka is the majority investor, also began operation. Establishment of these two companies created the condition for more flexible business operation and afforded the bank the opportunity to expand

activities into the private sector of the economy and to develop new forms of insurance.

Jugoslovenska Banka's results in credit financing and insurance have been considerably poorer than in 1991. Export credits in the first half of last year supported exports to Poland, Tunisia, Germany, and Algeria. Development of international payments was continued, and the network of foreign correspondents was expanded. At the same time, damages were paid to work organizations because of the tardy inflow from the Sudan, Angola, Cuba, and Syria, and the effort was continued to collect claims in Angola, Mozambique, the Sudan, Ethiopia, Somalia, Syria, Cuba, and Nicaragua. Certain departments also worked to prepare requests for reparation or compensation of war damage to Yugoslav citizens and firms in wartime Kuwait. About 3,000 individual applications were prepared, and a demand in the amount of \$12.3 million was submitted to the commission of the United Nations.

#### **PRERADA—CACAK: ASSORTMENT BROADENED**

Prerada, a socialized enterprise, manufactures goods under license from the German firm Fani, with which it is still in contact, though to a lesser extent. At the moment, it is starting up a new production line in a recently completed plant. About 1 million German marks [DM] were spent to build the new plant (1,400 square meters). According to Milosav Petakovic, the director, the best business with foreign partners has been with deliveries of chips, fani-flips, and alka-flips. The largest customers, before the sanctions were imposed, were from Sweden, Israel, and the European countries. Exports have been suspended for the moment, but not contacts with former partners. Prerada, it might be said, has been doing a good business, the workers have not been on mandatory leave, and their earnings have been above the average in their industry at the level of Serbia.

#### **START-PLAST—GORNJI MILANOVAC: IMPORT SUBSTITUTION**

Start-Plast in Gornji Milanovac, which operates within the Automobile and Motorcycle Society, makes watercolor sets, adhesive for paper, and all school and office supplies, which until recently were imported at higher prices. Slobodan Mijailovic, the firm's director, says that this production was mastered more than 10 years ago. That was back in the time of the oil shortage, which brought about a drop in the business of the Automobile and Motorcycle Society. Not only was none of the 50 employees discharged, but they hired the same number of additional workers to make modeling clay and tools with which elementary schoolchildren work with their hands. That production was later modernized and expanded. All of these articles are made from domestic raw materials.

### **FABRIKA CEMENTA—KOSJERIC: PRODUCTION UNDER FULL STEAM**

A planned annual overhaul has been successfully performed at the Fabrika Cementa [Cement Plant] in Kosjeric. The overhaul was done by the firm's own experts, using spare parts manufactured by domestic producers. Following the overhaul, 22,150 tons of cement were produced in February and delivered. The firm obtained sufficient quantities of fuel in good time, so that production was not interrupted on that basis, although 120 tons of heavy fuel oil are needed every day. There is limestone in the immediate vicinity, and clinker is being produced regularly. Last year's production plan was fulfilled 20 days ahead of schedule by the Kosjeric cement workers.

### **METALAC—NIKSIC: UPCOMING TRANSFORMATION OF OWNERSHIP**

Metalac of Niksic is operating at 40 percent of capacity at the moment, but it is getting employment among small businessmen in Montenegro; it takes any job that brings a profit. To tell the truth, all of Metalac's previous partners wanted to continue cooperation, but obtaining production supplies is an insurmountable obstacle and could cut back production even more. Unless this problem is solved, those who are working now will also have to go on mandatory leave. That is, even now half of the total labor force of 580 are on mandatory leave, and their number could even increase to two-thirds of the labor force.

The period in which Metalac is operating at a reduced volume of production will nevertheless be used—they are now preparing a study for transformation of ownership. The assessment of the competent agency is that Metalac is worth \$25 million.

### **GAMA INZENJERING—UZICE: TERMOPAK 11 HAS BEEN PUT INTO PRODUCTION**

A private firm that is part of the joint stock company Gama recently mastered production of Termopak 11, a machine for packaging products in thermal shrink-wrap foil. The new machine has a great number of advantages over conventional packaging—it does not need cardboard, foil, or string; the entire packaging procedure is done faster, with fewer workers, and considerably less expensively. This semiautomatic machine was made on order for Zorka, the chemical company in Sabac, and costs DM43,000. So far, several orders have come in for similar machines in a total value of about DM60,000, depending on the size and purpose of the machine.

Termopak 11 has a great advantage over imported machines, especially because domestic service is provided, and all types of servicing and repairs can be done in a short time. The new machine can package milk, dairy products, and juices, and it can also be adapted to the needs of the chemical, pharmaceutical, and food-processing industries. Experts of the private firm Gama

Inzenjering are now working to make a new packaging machine that would perform all operations automatically.

### **SENTAL—SENTEA: SHORTAGE OF PRODUCTION SUPPLIES**

The shortage of production supplies has significantly reduced production in the special tool factory in Senta. In January, according to information we have obtained, about a fourth of the work force was working.

The February figures show a somewhat higher employment of capacity. Through redistribution of work within the company Zastava—Alati i Masine [Zastava Tools and Machines], of which Sental is a part, conditions have been brought about for better utilization of both machines and personnel.

### **GOSA—BELGRADE: DEVICE FOR DEEP EXTRACTION OF PETROLEUM**

Since introduction of the sanctions, they have been working hurriedly in the Gosa Equipment and Machine Factory to design and prepare the manufacturing documentation for the first domestic device for deep petroleum extraction, referred to in oil field jargon as a "seesaw." The principal motivation for making this device is contained in the fact that up to now this equipment has been imported from the United States. Experts of Gosa and Jugopetrol-Nafta, in cooperation with other firms exporting petroleum, believe that aside from the savings, the new device will make it possible to be ready when the blockade is removed, because this is a product able to compete on the world market. It should be added that production of the pumps will make it possible to employ all available capacity, which is not in operation now.

According to the experts, the new device for deep extraction of petroleum has very good operating characteristics. The pumps have a long operating life, and their maintenance is not expensive, nor does it require specially trained personnel. The operating life of the device's vital parts is about 100,000 hours of operation. It is said that the domestic device is altogether on a par with the imported device with respect to quality, and in certain aspects (less noise in operation) it has been improved.

### **ULJARICE—BELGRADE: NOT EVEN FOR CONTAINERS**

Uljarice, a joint stock company in Belgrade, includes 19 firms, four of them oil mills. The mills are equipped to process about 100,000 tons of oilseed (sunflower, soybean, and rape) this year, which means that about 200,000 hectares will need to be planted to these crops. So far, everything has been done to provide this year's production of raw materials, seed and fertilizer have been obtained for cooperators, while the supply of chemicals for plant pest and disease control is still irregular. This amounts to a large investment, and at Uljarice they

are not certain that it will pay off if the chaos continues on the market and with prices. Calculations, that is, show that the price of edible oil should be 2.2-fold higher than the price of the raw oil. This ratio was adopted earlier under more stable conditions, and that meant that the sales price of a liter of edible oil was DM1.2. Under present conditions, the sales price cannot cover even the cost of the glass container, and limiting and controlling the price of oil is proving to be counterproductive in every sense—there is no oil in the stores, and producers have no incentive either for production or investment. Nevertheless, production is for the present being maintained at the previous level, with 12,000 tons a year being produced in the Krusevac Oil Mill and about 40,000 tons in the Milan Zecar Mill in Urosevac. Every day, they release to the market 50-60 tons of oil, but part of it goes to provide an advance for new production, some goes to the farmers (through cooperatives), and some goes to other firms with which Uljarice cooperates.

#### **HEMOFARM—VRSAC: EXPECTING A BETTER YEAR**

In spite of all the possible difficulties which have befallen the domestic economy, the high rate of inflation, and the severing of business ties with foreign countries, Hemo-farm of Vrsac ended last year with better results than might have been expected. The figures in the balance sheet show that last year it had revenues of 21.4 billion dinars, gross income of 1.5 billion dinars, and a net profit of 996 million. The value of the dividend is 726 million, and the value of the individual share about 280,000 dinars. Share capital represents 89.6 percent of Hemofarm's total capital, and shareholders will receive dividends worth 18.8 percent of net paid shares. The main reason for the good business lies in the intensified efforts not only to conduct business normally, but even to expand the assortment of products and embark on new projects. Last year, Hemofarm registered some 30 new preparations (five under license and a certain number of parallel drugs), which in part made up the gap on the market that occurred through the disappearance of Slovenian and Croatian products and imported drugs. In addition, a new pharmaceutical factory is under construction, a plant for infusions is being built in Podgorica, and a plant in Dubovac is being adapted for the production of penicillin. The value of these investments has reached 15 million dinars. It perhaps sounds paradoxical, but at Hemofarm they expect this year to be more successful than last year. The optimism is based on plans to expand the assortment of veterinary products and the fact that demand on the market is higher than the supply. Greater understanding of problems by the government and the competent ministry have certainly also had something to do with this, they say at Hemofarm, and this could take the specific form of relaxing and simplifying the now very complicated procedure for obtaining import permits for raw materials and prompter discharge of obligations by health funds. There is also a need to thoroughly reassess drug price policy, because the principle of price controls has shown negative results for both producers and consumers.

#### **NEW PROJECTS AND RECONSTRUCTION**

##### **DIN—NIS: CONSTRUCTION OF A CIGARETTE FACTORY HAS BEGUN**

DIN [Tobacco Industry in Nis] has begun construction of a cigarette factory, which, according to present estimates, will cost DM370 million.

Smiljko Kostic, the firm's general director, recently said that preparations have been successfully made for carrying out this investment project, which represents DIN's third cigarette factory. The plants of the up-to-date factory will produce 60 tons of cigarettes a day on two shifts.

The construction will be done in four phases, and completion of the work is planned for 1996. Workers of Gradjevinar of Nis and other contractors are supposed to build more than 56,000 square meters of new workspace by that date. The construction already begun on the research and development industry, a metallized paper factory, and a well-equipped printing plant is also part of the development program of the tobacco workers in Nis.

##### **POLJOPRODUKT—PRIJEPOLJE: UNDERTAKING CAPITAL INVESTMENTS WITH ITS OWN RESOURCES**

Poljoprodukt, an agricultural cooperative, is planning to carry out several important investment projects this year: purchase of a packer for filter tea bags, equipment for a mushroom cooler, the planting of 20 hectares of orchards, the purchase of machinery for orchard maintenance, and machinery to update a livestock farm at Aljinovici and construction of a building to store livestock feed. So far, it has invested more than DM50,000 of its own funds.

At Poljoprodukt, they expect deliveries of filter tea bags alone to bring in 4 billion dinars a year. According to the director, Radosav Korugic, the emphasis is on invigorating animal husbandry. At the moment, the sheep farm has 2,000 head and represents an important basis for cheese production.

##### **AGRICULTURAL COOPERATIVE—KOSTOJEVICI: EXPANSION OF CAPACITY**

The agricultural cooperative in Kostojevici, near Bajina Basta, has built or rebuilt several important facilities in the last two years (a garage for service and maintenance of agricultural machines and a bakery), in which it has invested DM100,000 of its own funds. Work will soon begin to update the bakery, where formerly they produced the double-distilled brandy Racanka. The cooperative's contribution, according to its director, Milo Ignatovic, also lies in the fact that it has successfully completed the work of irrigating and draining degraded pastures and meadows, and renewal of the grasslands has created all the preconditions for development of animal husbandry. Pedigreed animals have been obtained, and

the domestic busa cattle are giving way to pedigreed cattle of the Simmental type. What is more, producers have been given gratis nursery stock for raspberries, blackberries, plums, sour cherries, and other fruit on the condition that they deliver to the cooperative all surpluses they market.

The good cooperation between the cooperative and the farmers should continue this year as well. The cooperative is planning to purchase marketable surpluses at the most favorable prices, and, if it is possible, to supply the peasant farms fuel, machinery to cultivate the soil, replacement parts, and all their other needs.

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